

# FINANCIAL TIMES

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World Business Newspaper

WEEKEND JANUARY 21/JANUARY 22 1995

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## Saint-Louis chief among 10 killed in Paris air crash

An executive jet crashed and burst into flames on take-off at Le Bourget airport in Paris, killing all 10 aboard including Bernard Dumon, chairman of French sugar and paper giant Saint-Louis. Among the seven passengers were Mr Dumon's brother and Mr Max de la Giraudière, managing director of the Générale Sucrière subsidiary. Mr Dumon, 59, had headed Saint-Louis, France's 40th biggest company by turnover, since 1981. It owns 40 per cent of Arjo Wiggins Appleton, the Franco-British paper group. Two Spanish, one American and another French executive were also on the flight to Romania.

**Maxwell pensions mediator quits:** Sir John Cuckney is to step down as head of the Maxwell Pensioners' Trust marking the end of attempts to secure a global settlement between banks and pension funds entangled in the collapsed Maxwell empire. Page 20

**Germans renew call for UK beef ban:** The Bundesrat, the upper chamber of the German parliament, called for a ban on British beef imports in a move which may revive the row about bovine spongiform encephalopathy, or mad cow disease. Page 2

**Sudden switch to Ecu 'impossible':** An overnight "big bang" switch to a single European currency is "impossible", according to a panel of experts appointed by the European Commission to examine the practical implications of a common currency by the end of the century. Page 2

**Balladur opens Normandy bridges:** French prime minister Edouard Balladur officially opened the controversial Normandy bridge spanning the river Seine near Le Havre. Page 2

**Spain and Italy have cheapest cars:** New car prices in west Europe are lowest in Spain and Italy, and highest in Germany and France, according to a study by the European Commission. Page 2

**Hurd dismisses Eurosceptics' manifesto:**

British government divisions on Europe were emphasised when UK foreign secretary Douglas Hurd (left) dismissed as "unreal" the manifesto launched this week by Conservative Eurosceptics. His attack contrasted with the conciliatory approach of Jonathan Aitken, treasury chief secretary, who said that he could agree with much of the document. Page 20

**Bosnian truce under threat:** Eleven western and Islamic countries were preparing to strengthen the UN peace-keeping force in Bosnia as the truce they are monitoring was reported to be in danger of collapse. Page 3

**Japan to reform emergency procedures:** Japanese prime minister Tomichi Murayama promised to reform crisis management procedures as the government came under further attack for the handling of the Kobe earthquake rescue. Page 3

**Markets fall as Deng's health fails:** Equity markets in Hong Kong, Taiwan and Shanghai staged a panicked retreat on further reports of the deteriorating health of Deng Xiaoping, China's senior leader. Page 3

**China accused of piracy of CDs:** China was guilty of "pervasive piracy" through piracy of compact discs, computer software, video games, books and magazines, the Motion Picture Association of America claimed. Page 3

**Dow Corning raises breast implant charges:** Dow Corning, the US joint venture between Dow Chemical and Corning, has taken an additional \$44m charge to cover the costs of compensating women who claim they were harmed by silicon breast implants made by the company. Page 6

**Canada plans rail privatisation:** The Canadian government plans to privatise part of Canadian National Railways, its biggest Crown corporation. Page 6

**More tourists visit Ireland:** The Irish tourist board said the number of visitors to the Republic of Ireland reached 3.6m in 1994. Figures for last year show an 11 per cent rise over 1993, earning the country about \$2.1bn (£1.7bn).

**GM strike leaves 20,000 idles:** About 20,000 carworkers were left without work after a strike at a key General Motors Corporation parts plant in Michigan. Officials said further closures are likely if the strike over staff and overtime continues.

**Two more Britons held in Sierra Leone:** The British foreign office warned travellers not to visit Sierra Leone after two more Britons were snatched by rebels. Six are now being held in the west African state.

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## US political struggle draws in Mexican crisis plan

By Jurek Martin in Washington

US loan guarantees to Mexico have become embroiled in a wave of bitter partisan fighting that has broken out in Washington this week. From the Republican side, Mr Newt Gingrich, speaker of the House of Representatives, yesterday challenged President Bill Clinton to deliver half the Democrats in Congress behind the estimated \$40bn US programme. He said he was "very concerned" that support for Mexico on Capitol Hill was eroding fast. He said he was not holding the loan guarantees "hostage" and that they

would be debated on the House floor, though probably not until the Senate has voted. But he complained that "it is not our fault that this administration does not seem to be able to get its ducks in a row," a reference to the vocal opposition to the guarantees by liberal Democrats.

Congressman Jim Leach, chairman of the banking committee, went so far as to send a letter to the White House warning that the Mexican package was endangered by escalating Democratic attacks on the controversial book contract signed by the Speaker with the New York publishing house owned by

Australian-born media magnate Mr Rupert Murdoch. "In this setting," Mr Leach wrote, "comity on controversial legislation is difficult to obtain."

The administration continues to claim it is close to securing the necessary backing for aid to Mexico. In London yesterday Mr Ron Brown, the commerce secretary, expressed confidence, while former President George Bush issued a statement of support which described the package as "not a giveaway".

But the political mood in Washington has deteriorated to the point where little is certain. The promises of bipartisan co-operation so freely expressed when

the new Republican majority took over earlier this month now look shaky.

Mr Gingrich has this week accused the Democrats of launching a campaign of "personal destruction" against him to discredit his "contract with America" legislative agenda. But several Democrats have promptly recalled that he waged a comparable campaign against a former Speaker, Mr Jim Wright, over his book contract.

In the Senate, Mr Bob Dole, the majority leader, is experiencing his own frustrations. The Republican majority has this week been unable to break a Democratic filibuster on the "unfunded man-

dates" bill. This would relieve the states from the burden of applying federal rules and regulations unless Washington bears the additional costs.

Public opinion polls suggest the country has not made up its mind on whom to blame for the apparent return of "politics as usual". One survey this week found a seven point jump in Mr Clinton's approval rating over last month to 47 per cent, but a second recorded a three point decline to 45 per cent. The first also recorded a 10 point advance, to 33 per cent, in regard for Congress.

Mexican peso slips, Page 3

## D-Mark benefits as US rate fears unsettle markets

By Philip Coggan, Markets Editor, in London

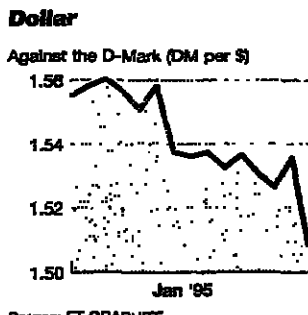
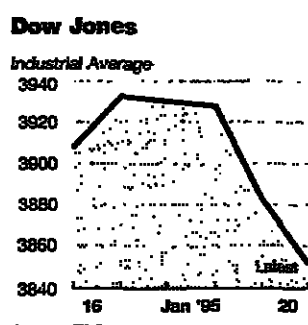
Fears about the extent of a further rise in US interest rates and the prospects of congressional opposition to the Mexican rescue package undermined world financial markets yesterday.

The D-Mark became the sole favourite of those seeking a "safe haven" for their money. Problems in emerging markets depressed the dollar, while the yen was hit by the effects of the Kobe earthquake on investor confidence.

Uncertainty spilt over to the equity markets, with sharp falls around the world.

The dollar closed in London more than two pence lower against the D-Mark at DM1.5067, while the D-Mark gained against the yen, rising to ¥85.72 from Thursday's ¥85.11. The Italian lira and the Swedish krona, which have been hit by fiscal and political worries, were both weaker against the D-Mark.

Analysts said the dollar was hit by fears that the US Federal Reserve's open market committee, which meets at the end of the month, would be influenced by the potential effect of higher US rates on Mexico. Although the panel seems likely to raise rates, in the wake of recent strong eco-



nomics indicators, it may not increase them sufficiently to combat inflationary pressures in the US economy.

Markets and currencies with close links to the dollar have been badly hit in recent weeks. Confidence in Latin American

markets might be further eroded if the Mexican package were to be delayed by congressional infighting.

Stock markets also responded to fears about US interest rate policy, specifically by worries that the Fed will raise rates by at least half a percentage point in February. Asian markets started yesterday's fall, with reports about the failing health of Chinese leader Deng Xiaoping adding to the effect of the 46-point fall in the Dow Jones Industrial Average on Thursday night.

In Tokyo, the Nikkei 225 dropped below 19,000 for the first time in a month, while the Singapore, Thai, Philippine and Taiwanese markets all fell by 2-3 per cent. The weakness continued in European markets, which fell further when Wall Street opened lower. The Dow was more than 31 down at 1pm New York time.

The French and German stock markets lost more than 1 per cent of their value in official trading hours, while in London, the FT-SE 100 index shed 33.6, or 1.1 per cent, to close below the 3,000 level, at 2,995, for the first time this year. Investors in London fear that the UK might also raise interest rates next month.

Editorial comment, Page 8; Currencies, Page 10; World Stocks, Page 15

## UK weapons maker to shed 850 jobs in nuclear cutback

By Bernard Gray, Defence Correspondent

Hunting-BRAE, the company which operates the UK's nuclear weapons plants, yesterday announced plans to cut 850 jobs as production of Trident nuclear warheads winds down.

The news came at the end of a grim week for British industry with more than 3,000 redundancies being disclosed by companies as diverse as Rolls-Royce, South West Water, the Norwich Union insurance company and House of Fraser stores group.

The Labour party attacked the job losses at the Atomic Weapons Establishments and said the government should encourage operators to find other work for the factories.

The redundancies contrast

with official figures released this week which showed that UK unemployment fell by 54,900 to 2.41m in December, the largest monthly fall for six years and a near-record figure.

The 850 jobs at the Atomic Weapons plants will go over four years and one factory, Llanishen in Cardiff, will close with 360 people made redundant. More jobs will be lost at Burghfield and Aldermaston sites in Berkshire and the weapons testing range at Foulness in Essex, leaving the AWE with about 5,000 employees.

Production of warheads for Britain's new Trident nuclear deterrent submarines is at its peak, but is due to fall sharply in the next few years. The government has no plans for nuclear weapons production beyond Trident, however AWE will be

needed to maintain existing stocks and retain the capacity to manufacture weapons if required.

Llanishen makes components for the warheads using unusual metals and very high-precision tools. Mr Rhodri Morgan, Labour spokesman on industry in Wales and MP for the neighbouring constituency, said: "It is a disaster for the local community because AWE is a veritable treasure-house of precision engineering in space-age metals."

Mr Morgan said the factory had previously tried to diversify, but this had been stopped when the site was transferred from the ministry of defence to be run by Hunting-BRAE.

The government should give Hunting an incentive to find

Continued on Page 20



United front: Nelson Mandela and F.W. de Klerk after putting 'misunderstandings' behind them. Picture: Reuters

## Peace bid by S African leaders

By Roger Matthews in Johannesburg

Mandela and de Klerk agree 'fresh start'

A sudden crisis within South Africa's eight-month-old government of national unity appeared yesterday to have been resolved, at least in the short term.

President Nelson Mandela and Mr F.W. de Klerk, deputy president and leader of the National party, issued a joint statement saying they had agreed to make a "fresh start" and recognised each other's "integrity and good faith".

Relations between the two men plummeted during the week, with Mr de Klerk claiming that

he came close to withdrawing from the coalition following a "viciously insulting" attack on him and the National party by Mr Mandela during a cabinet meeting on Wednesday.

In a speech to the National party congress on Thursday night, Mr de Klerk accused the African National Congress - the majority partner in the government formed in May following the country's first all-race elections - of behaving like a bully.

He said there was a crisis of confidence within the government

which had urgently to be remedied.

Mr Mandela, who has sought to play down the clash, held two meetings with Mr de Klerk in Pretoria yesterday during which, according to the official statement, they "cleared up the misunderstandings with regard to all the specific relevant issues and re-established mutual trust and confidence".

However, on the contentious issue of whether some 3,500

Continued on Page 20

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What it takes to succeed in drugs



## NEWS: EUROPE

## Single currency 'big bang' ruled out

By Emma Tucker in Brussels

An overnight "big bang" switch to a single European currency is "impossible", according to a panel of experts examining the practical implications of a common currency by the end of the century.

But the panel, appointed by the European Commission and presenting its interim report in Brussels yesterday, argues that a single currency should, nonetheless, be introduced as swiftly as possible with a delay of only six months between an irreversible fixing of exchange rates by partic-

ipating countries and the circulation of new notes and coins.

"This will reduce the costs of dual accounting and increase the credibility of the currency by avoiding public confusion," said Mr Coes Maas, chairman of the group and also a director of ING, the Dutch financial services company.

Mr Henning Christophersen, the outgoing commissioner responsible for monetary affairs, reserved judgement on whether it would be possible to introduce a single currency as early as 1997. The French government - which holds the presidency of the

EU for the next six months - has continued to keep alive ambitions for an early switch, although many believe that 1999 offers a more realistic target.

Mr Maas said a move to a single currency in 1997 would make the practical difficulties of replacing national currencies more acute.

"Whether introduction happens in 1999 or 1997, it will be impossible to effect the changeover overnight, with the full replacement of national currencies by the Ecu on the first day of stage three," says the report. "Although exchange rates will be ir-

revocably fixed on the first day, national currencies will keep their functions for a while before the single currency can be introduced physically."

The final decision on the length of the intermediate period will be taken by the European central bank. However, the report says that from the first day of economic and monetary union, banks and financial organisations should change their accounting into the single currency. During the transition period everything then coming into a bank would be changed into Ecu, while dealings with clients

would continue to be conducted in the relevant national currency.

Although only a core group of five states is likely to participate in a single currency initially, the group believes technical preparations should be spread across the Union to minimise divergence between member states. The panel's final report will list measures to be taken early to ensure cohesion. Meanwhile it urges the European Monetary Institute to draw up and publicise, as soon as possible, the dimensions of new notes and coins to allow the private sector to adapt machinery.

## Hurdles await Berlusconi on comeback trail

To the crowd of well-wishers greeting him as he left the prime minister's office this week, Mr Silvio Berlusconi waved and gave them what they wanted to hear: "I'll be back soon."

Already he has begun to prepare his next election campaign, convinced that an early return to the polls is inevitable. Yet despite Mr Berlusconi's determination to recover the premiership since he was ousted from office after only eight months, his future success as a politician is far from certain.

He retains two powerful cards. Above all he is an exceptionally able communicator. As such he has won the confidence of a sizeable section of the electorate both for what he represents - a self-made billionaire - and for what he promises - a brighter, easier future.

He has even managed to change defeat into victory, turning his enforced resignation to his advantage by presenting himself as a victim of the "treason" of his one-time allies, the Northern League, who decided to withdraw their vital parliamentary support.

In this way he has created the impression that the opposition, aided and abetted by President Oscar Luigi Scalfaro, has "robbed" him (the emotive word is *scippo*, used for bag-snatching) of office.

As a result, some opinion polls give Mr Berlusconi's right-wing alliance 50 per cent of the vote.

Mr Berlusconi remains the proprietor of three television channels and has placed loyalist supporters in the RAI state broadcasting organisation. In the case of his own Fininvest channels, these have not hesitated to support his own interests, and will not be easily checked from continuing to do so in the short term.

The new government of Mr Lamberto Dini, if it survives, is committed to introducing laws governing impartial use of the media.

But even here Mr Berlusconi may successfully present himself as a victim of people trying to muzzle him and he will fight hard to keep his access to voters' hearts and minds via the television screen. He relates best to a television audience.

Nevertheless, it is questionable how long voters will be blinded to Mr Berlusconi's disastrous record in office. His right-wing coalition will go down as one of the most incompetent of all the 53 post-war Italian governments, having either complicated the solution to key problems or simply failed to confront them.

There was no more eloquent commentary on Mr Berlusconi's foray into politics than the behaviour of the markets the moment the Dini government was announced last Friday: the lira strengthened and the Milan bourse rose on a euphoric buying spree. The business community, for whom Mr Berlusconi pledged to be both spokesman and chief lobbyist, had lost faith.

Even if Mr Berlusconi enjoys a considerable degree of public support and sympathy, this needs to be nurtured. The lon-

ger he is removed from the mystique of the prime minister's office, the more likely his supporters are likely to be. This is why he is so insistent on early elections and cannot afford to let the Dini government last.

Perhaps more important, the unique combination of circumstances that saw him enter politics last January and led to his remarkable rise to power no longer pertains. The collapse of the old party system at the end of 1993 created a huge political vacuum, especially in the central space formerly occupied by the Christian Democrats.

Mr Berlusconi filled the bulk of this vacuum with a combination of his own bravado and the fleet-footed organisation of his Fininvest business empire that set up his Forza Italia organisation in record time to serve as a vehicle for his political ambitions.

The rest of the space in the centre and on the right was taken up by the populist League and the neo-fascist MSI/National Alliance, with each of whom - although not all together - he formed an

## The former PM is already preparing his next election campaign, says Robert Graham

alliance. This alliance has come undone with the departure of the League, and Mr Berlusconi now finds himself moving further to the right in the embrace of the MSI and its astute leader, Mr Gianfranco Fini.

If this embrace continues, moderate elements in Forza Italia could break away, feeling more comfortable lining up with the Popular Party (PP) of Mr Rocco Buttiglione in the centre.

Alternatively, doubts must be raised about the willingness of Mr Fini to play second fiddle to Mr Berlusconi when he himself has proved to be a smarter politician with a well-rooted national party. In Forza Italia Mr Berlusconi invented a movement dependent on his success for its survival. It remains an ill-defined political entity in the hands of Berlusconi cronies, most of whom are linked to Fininvest and who, like the former premier, are not the kind of people used to spending long periods in opposition.

Finally, Mr Berlusconi's problems with the law are far from over. The case for alleged involvement in bribing members of the Guardia di Finanza, the financial police, while running his Fininvest empire remains open.

Milan magistrates are continuing their investigations into this and other matters concerning alleged parallel accounting at Fininvest. In recent days reports have begun to filter into the press of magistrates in other parts of Italy, including Sicily, stepping up their inquiries into Mr Berlusconi.

## Germans renew UK beef ban call

By Michael Lindemann in Bonn

The Bundesrat, the upper chamber of the German parliament, yesterday demanded a ban on all imports of British beef in a move which may revive the role of bovine spongiform encephalopathy (BSE), or mad cow disease.

A motion, approved by a broad majority of the 68-seat chamber, said there was still not enough evidence to prove that BSE could not be transmitted from cattle to humans, and an import ban was the only way to protect German consumers.

Although Mr Horst Seehofer, the health minister, called for a ban on beef imports last March, he yesterday argued that the kind of contaminated fodder believed to cause the disease was no longer being given to cattle. He also warned the upper chamber that a ban was illegal and would result in legal action by the European Commission.

The Bundesrat yesterday threw out legislation that would allow trading in beef from animals born after January 1 1992 - in line with a European Union decision in December. Nevertheless its decision will not prevent British beef from animals born after the start of 1992 from entering Germany. Moreover, if it moved to pass an import ban it would need support from the Bundestag, the more powerful lower chamber of parliament, and officials said this was unlikely.

There was concern across Germany last year after Mr Seehofer first floated the idea of a ban. Butchers put up signs saying they did not stock British beef and scientists were interviewed on radio phone-ins.

At Germany's insistence, rules were introduced last July which forced producers to search for the history of the animals they were selling to ensure they had not been in herds affected by BSE in the previous six years. However, the health ministry has said that spot checks on imports - the only practical method of controlling beef shipments - were not likely to pick up an occasional shipment of beef from animals born before 1992. "The invitation is there for people who want to export beef illegally," a spokeswoman said.

In December, following a decision by the European Commission's veterinary committee, the rules were changed so that British beef from animals born after 1992 could be exported without checks. Since 1992 the incidence of BSE in the UK has fallen to a rate naturally occurring in most EU countries.

Veal exports, Page 4

## Yeltsin switches focus of battle to the home front

After Chechnya, political struggles are building up, writes Chrystia Freeland

Western and Russian observers have been quick to point out that seizure of the presidential palace in Grozny by Russian forces on Thursday doesn't mean the fighting is over.

Reports of intensified clashes in other parts of the Chechen capital yesterday and defiant vows by Chechens to wage a prolonged guerrilla war in the mountains have borne out initial scepticism about Russian President Boris Yeltsin's hopeful claim that the war is "effectively over".

But the general view that fighting in Chechnya is far from over, no matter what the Kremlin may say, is in some ways beside the point. Even if small-scale clashes between Russian and Chechen forces drag on for weeks or months, the capture of the presidential palace is a political watershed.

By declaring victory, Mr Yeltsin has sought to relegate the Chechens to the relatively insignificant position they used to have on Russia's political agenda. The Chechen conflict has, in Kremlin terms, been transformed from "a military confrontation" to "restoration of peace and the constitution". It's now the job of interior ministry policemen rather than soldiers of the armed forces.

By pushing the Chechen conflict to the back burner and, he must hope, off the front pages, Mr Yeltsin has sought to appease increasingly harsh international and domestic critics.

But having shifted the Kremlin's focus away from the North Caucasus, Mr Yeltsin now faces the possibly more difficult, and certainly more vital, task of restoring order on the home front.

In the wake of the Chechen war, Mr Yeltsin faces three main challenges. He must:

- shore up the increasingly fragile Russian state;
- develop and implement a policy to revive the enfeebled Russian economy;
- choose which of the powerful factions battling for control of the Russian

government is to be his ally in accomplishing the first two tasks.

Building up the Russian state is the challenge linked most closely with the Chechen conflict. Paradoxically, the Chechen war has underscored the weakness of the state which its advocates said it was being waged to defend.

"The people around Yeltsin saw Chechnya as a way to start the process of building the state up again," says Mr Michael McFaul, a senior consultant at the Moscow office of the Carnegie Endowment for International Peace. "But what Chechnya has done instead is to expose the weakness of the state and in the short run to exacerbate it."

With the weakness of the Russian state revealed, most apparently through the poor performance of the army but also in the regions, many of which have refused to send local boys to fight in the Caucasus, Mr Yeltsin must now act to build up an effective government structure in Russia.

To do that, he must address the second challenge now high on Moscow's political agenda: the economy. The psychological victory in Grozny has not saved the Russian rouble, which fell yesterday to historic lows.

In a barrage of affirmations of his commitment to market reforms, Mr Yeltsin has sought this week to restore confidence in the economy. But, as the fall of the rouble suggests, the markets are paying more heed to pressures from parliament to further expand expenditures in Russia's already strained budget.

That has bred inflationary expectations which will mount even further if the International Monetary Fund proves to be as sceptical as Russian bankers and doesn't come through with a \$13bn (\$3.2bn) aid package that has already been built into the draft budget.

Finally, Mr Yeltsin must choose a faction to lean on in his attempt to address Russia's twin political and economic challenges.

He has sent some feelers out to the democratic market reformers, who have



Two Chechen women clean what is left of their room after a penetration bomb blew through nine floors of their apartment complex in Grozny yesterday

been excluded from the innermost circles of power for the past few months.

But the Chechen war, denounced by all of Russia's liberal democratic parties, may have created an unbridgeable rift between the president and the democrats.

"Yeltsin may now want us," a leading democratic politician says, "but we probably no longer want him."

That leaves the president with a choice between the hawkish leaders of the security forces and defence sector, who led him into the humiliating Chechen war, and the more moderate oil and gas lobby led by prime minister Victor Chernomyrdin.

It is not yet clear which way Mr Yeltsin will swing.

He has begun a witch-hunt in the

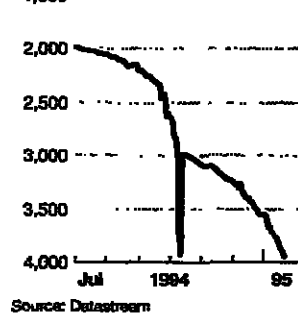
armed forces, but it was three dovish deputy ministers of defence, rather than the hawks who promoted the war, who were demoted.

The security forces have also stepped up their attack against their least favourite Russian banker, Mr Vladimir Gusinsky, who key hardliners have said is the target of criminal investigation and may soon be arrested.

But, on the other hand, Mr Chernomyrdin's star is also apparently on the rise, with the prime minister playing a more prominent political role over the past week than at any other time over the past few months.

Having declared an end to the war in Grozny, over the next few weeks Mr Yeltsin must show how he plans to win the peace in Moscow.

## Rouble hits record low against \$



Source: Datastream

The Russian rouble slid to a historic low against the dollar yesterday, pushed down by the political uncertainty bred by the Chechen conflict and dealers' lack of confidence in the government's ability to control inflation, writes Chrystia Freeland in Moscow.

Inflationary expectations could increase next week in the wake of parliament's failure to approve the 1995 draft budget yesterday.

Parliament is scheduled next week to review the budget, a crucial element in Russia's negotiations for a \$6.25bn (\$4bn) standby loan from the International Monetary Fund, but there is little hope the legislature will stop pushing for even greater government expenditure.

The rouble, continuing its steady downward trend of the past few months, fell yesterday to a low of 3,947 to

the dollar on the Moscow Interbank Currency Exchange. Its previous low of 3,926 to the dollar was reached on October 11, when a more than 20 per cent drop in the value of the currency in a single day threatened to spark a financial crisis.

The rouble's slide also exposed the weakness of the central bank, which this week has deployed an arsenal of tough regulations and

intervened heavily in trading. "The central bank is behaving as though it is driving a horse-drawn trolly when the Russian economy has become a diesel-powered 16 wheeler," said Mr Mikhail Khodorkovsky, chairman of Menatep, one of Russia's big banks. "The result is that the lorry is racing out of control and the central bank has suffered a serious loss of authority."

Le Havre-Honfleur link likely to have big effect on local economy

## Balladur opens Seine bridge

By Andrew Jack in Le Havre

After nearly 25 years of debate and discussion, the Normandy bridge was officially opened yesterday and will be in use by traffic on Monday.

Spanning the river Seine near its mouth between Le Havre and Honfleur, it is an impressive engineering feat - taller than the Montparnasse tower block that dominates the Paris skyline, and rather less ugly. It is also likely to have a significant impact on the local economy, and represents an innovative approach to infrastructure funding.

Ironically, though Mr Edouard Balladur, the prime minister, inaugurated the bridge, the cornerstone was laid in 1988 by Mr Jacques Chirac, a long-time ally now a bitter rival for the presidency.

The bridge's designers say the 865-metre span suspended between its two support towers makes it the largest such structure in the world.

The regional planners choose to highlight the beneficial impact increased traffic should have on the region, ambitiously arguing that it forms an essential link on the coastal road being modernised to



Edouard Balladur (centre) at the bridge's inauguration

link "Stockholm to Gibraltar". To local residents, the bridge is more a point of contention. On the northern bank is Le Havre, a city hungry for income and scarred by con-

tainer terminals, industry and uninspiring concrete blocks thrown up since its devastation in the second world war. In stark contrast to the south lies Honfleur, a small town of

beautiful buildings, some of whose inhabitants eye the bridge with suspicion at the thought of the change it will bring to the area. Others are ambivalent, particularly in view of the way the recent economic downturn has cost jobs in the area.

Ecologists have complained about the damage to the Seine estuary, notably the tidal marshes around the bridge. Yet, with some concessions, the objectors were overruled in a series of ministerial decisions in 1989, two years before construction began.

Meanwhile, the syndicate of banks led by Crédit Local de France are confident that the bridge, costing some FF1.9bn (\$230m), will be a profitable financial venture, and provide an important model for future funding of large infrastructure projects.

It is funded through an unusually long period of 26 years, with the size of repayments staggered and the contributions - underwritten by the local regional government bodies - coming through the local chamber of commerce, and initially paid by tolls on the existing Tancarville bridge further upstream.

## Car price disparities in EU narrow only slightly

By Kevin Dene, Motor Industry Correspondent

New car prices in west Europe are lowest in Spain and Italy, while the highest prices are being charged in Germany and France, according to a study by the European Commission.

The report shows that car price disparities in the European Union have narrowed only slightly during the past 18 months. The study says that 19.1 per cent of the models offered by European car makers still have price differences in excess of 20 per cent between different markets.

Mr Karel Van Miert, the European commissioner for competition policy, said the planned reform of the regulations governing car makers' selective and exclusive dealer networks in Europe were aimed in part at reducing price disparities between EU markets by removing obstacles to parallel imports.

So-called grey imports were given a boost by the devaluation of the lira and the peseta, with dealers and car buyers in southern Germany, in particular, choosing to buy new cars privately in Italy.

## European car prices

Index of car prices, 100=lowest price

| Peugeot 106 XR | Germany | France | Italy | Spain |
|----------------|---------|--------|-------|-------|
|                | 100     | 100    | 100   | 100   |
| Toyota Corolla | 100     | 100    | 100   | 100   |
| Citroën ZX     | 100     | 100    | 100   | 100   |

Source: European Commission

According to the EU study all brands - with the exception of Mercedes-Benz, Audi and Daihatsu - have at least one model where prices differ by more than 20 per cent.

The most glaring disparities noted by the Commission include:

- the Peugeot 106XR where the price is 33.1 per cent higher in Germany than in Spain;
- the Toyota Corolla E where the price is 31 per cent higher in Germany than in Italy; and
- the Citroën ZX where the price in France is 30.1 per cent higher than in Italy.

The biggest price disparities

across west Europe are for small cars, where 45 per cent of superminis - such as the Fiat Punto, the Ford Fiesta and the Opel/Vauxhall Corsa - have prices that vary by more than 20 per cent in different markets.

By contrast, more than 90 per cent of luxury and executive cars have prices that vary by less than 20 per cent.

Previous studies had shown that Japanese car prices in west Europe varied by smaller margins than those of European car makers, but that is no longer the case. According to the latest report, 18.7 per cent of the Japanese cars studied had prices that differed by more than 20 per cent, compared with only 8 per cent of Japanese models a year earlier.

The price competitiveness of Japanese car makers has come under heavy pressure from the rapid appreciation of the yen. Their overall sales in west Europe fell by 5.8 per cent last year to 1.3m units in a market that grew by 5.9 per cent.

The Japanese share of the market declined to 10.9 per cent from 12.3 per cent a year earlier, the lowest level for five years.

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NEWS: INTERNATIONAL

Equities tumble on reports of Chinese leader Deng in coma and fading rapidly

# Far East markets down sharply

By Tony Walker in Beijing

Equity markets in Hong Kong, Taiwan and Shanghai staged a panicky retreat yesterday, on further reports of the deteriorating health of Mr Deng Xiaoping, China's senior leader.

The Hong Kong market was down by nearly 2 per cent, while that of Taipei dived by 3.43 per cent, following unconfirmed reports that the 90-year-old Mr Deng had lapsed into a coma in December and that his health was fading rapidly.

Shanghai B-shares for foreign investors sank to their

lowest level in 18 months, closing at \$4.39, down nearly 1 per cent. B-shares have lost about 50 per cent of their value, since their highs early last year, on concerns about China's economy and its political transition.

Markets sensitive to political developments in China, such as those of Hong Kong and Taipei, seem set for fluctuations as speculation about Mr Deng's health is intensified.

The latest spate of rumours was initiated by Ms Deng Rong, Mr Deng's youngest daughter, who told the New

York Times this month that her father's health "declines by the day".

She said: "People have to understand that he's 90 years old, an old man. And someday there will be a day when he passes away."

Deng family members had been insisting that the patriarch's health was "very good" and that he was still walking several kilometres a day. Mr Deng is believed to be suffering from Parkinson's disease and other degenerative illnesses such as diabetes.

China's foreign ministry spokesmen had been describing his health as "very good" but are now saying: "For a man in his 90s, comrade Deng Xiaoping is, generally speaking, in good health."

Mr Deng last appeared in public about a year ago, when he was shown on television visiting landmarks in Shanghai at the time of the spring festival holiday.

He appeared very frail and required the support of two of his daughters to totter forward.

China's leader of the last 16 years was photographed in Bei-

jing last October 1, in the privacy of the Zhongnanhai leaders' compound, attending a fireworks celebration to mark the 45th anniversary of the communist revolution in China. But the grainy picture in virtual silhouette gave little clue to Mr Deng's condition. He was seated and had his face turned away from the camera.

All the indications in Beijing are that the architect of China's reforms is moving closer to his appointment with Karl Marx - Mr Deng's often-used euphemism for death.

See World Stock Markets

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See World Stock Markets

## China 'guilty of theft over US copyrights'

By Tony Walker

China was guilty of "pervasive piracy" through intellectual property - including compact and laser discs, computer software, video games, books and magazines - according to Mr Jack Valenti, the flamboyant head of the Motion Picture Association of America.

"What we are talking about is piracy, short and simple - theft of property that belongs to someone else, that is then sold at a profit by the thieves," he told reporters.

Mr Valenti was part of a delegation representing the US entertainment and information industry, who had travelled to Beijing to support the US government in its negotiations

with China over intellectual property rights abuses.

US negotiators have conducted three days of discussions with Chinese counterparts, seeking an agreement on concrete actions against widespread piracy of US products.

The US has threatened sanctions against \$1bn (\$833m) of Chinese imports under Section 301 of the US Trade Act, in retaliation for persistent abuses. Beijing has been given until February 4 to take specific action against pirates.

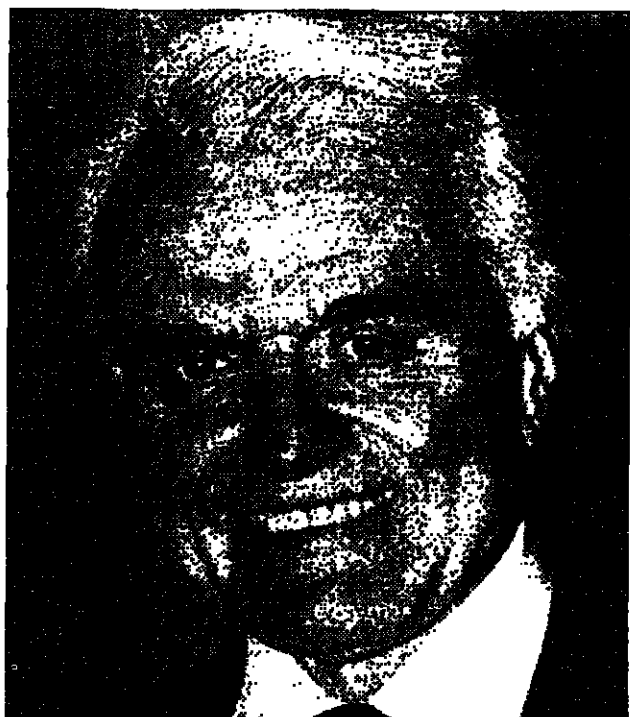
US officials are also pressing China to strengthen legal sanctions against counterfeiters and improve market access for US information and entertainment products.

Talks in Beijing this week are reported to have made

progress, with a possible compromise in sight, but US negotiators say that China will have to move beyond words to demonstrate its commitment.

US officials have identified 29 pirate plants as the main culprits in the production of counterfeit compact and laser discs flooding the international market. Officials want plants closed or placed under much stricter supervision.

China has launched what it says is a concerted drive against intellectual property rights infringements, but action taken thus far appears not to have slowed the flood of copies. Pirate factories churned out an estimated 75m compact disc copies last year, 70m of which are thought to have been exported.



Jack Valenti: Angry, accusatory and in Beijing

Picture: UPI

## Japan's PM pledges better crisis control amid quake criticism

## Life insurers likely to cope readily with claims from disaster

By William Dawkins in Tokyo

Mr Tomiichi Murayama, Japan's prime minister, yesterday promised to reform official crisis management procedures, as the government came under further fierce criticism for the handling of the Kobe earthquake rescue.

The response to the disaster, which now seems to have killed at least 5,000 people, was "a first experience", he told parliament, through opposition jeers. He conceded there had been "initial mishandling of the situation by the government". Preparations for after-shocks at Kobe would be redoubled, said Mr Murayama, in a speech condemned by the opposition for insufficient reference to victims' suffering.

By yesterday evening, the official death toll had reached 4,390, with 890 missing, prompting press speculation that fewer people need have died. This is the highest number of earthquake victims in Japan since the great Tokyo tremor of 1923, when 140,000 were killed. Rescue officials admitted that "many" people survived the initial shock but died later of injuries or fire.

The biggest aftershock yet shook the port city yesterday; it reached 3.6 on the Richter scale.

Criticism focused on why the government took four hours to send troops and then a day to accept an offer of assistance from the US military. When asked why the US had merely sent blankets to the scene, Major Kevin Krejcarek of the US air force said he had sent what the Japanese govern-

ment requested. The US was ready to help in any way needed, he said.

There were still reports yesterday of supplies being hindered by dense traffic and lack of workers. Limited train services were running but roads were still jammed, and the estimate of homeless rose to 280,000.

The government has yet to put a figure on the damage, but it is widely believed to be several times the minimum \$20bn (\$12.6bn) cost of the Los Angeles earthquake a year ago. Mr Ryutaro Hashimoto, international trade and industry minister, yesterday admitted that the government's target of 2.8 per cent growth in gross domestic product for the fiscal year from April next was now meaningless.

"The quake's impact on the future is very serious," he said. "Serious economic effects" were already emerging in the region around Osaka, Japan's industrial heartland.

Ryogo prefecture, where Kobe is, accounts for 4 per cent of national GDP, but private economists suspect the disruption to industrial production could be greater because of the interruption of supplies made at Ryogo of components to thinly stocked manufacturing plants elsewhere in Japan.

International repercussions started to become evident yesterday when Mitsubishi Motors said it had suspended shipments of engines to Chrysler in the US and of components for Proton, its Malaysian partner, because of damaged loading equipment at Kobe port.

See feature: Faith in authorities fades

By Gerard Baker in Tokyo

Life assurance payments for victims of the Kobe earthquake are likely to run to tens of billions of yen, the chairman of the Life Insurance Association of Japan said yesterday.

Mr Tashide Sakurai said the total would be "several times" the ¥11.1bn (\$71m) paid for victims of a crash of a Japan Airlines aircraft in 1965, but the chairman added that the payments would not cause financial difficulties for the companies concerned since these could be met from their liquid assets.

Japan's life insurers have been weakened by substantial falls in the value of their holdings of domestic and overseas securities in the last few years, but payments arising from the Kobe quake are unlikely to present them with serious difficulties.

Furthermore, as the scale of the damage to the Kobe area was becoming clearer yesterday, non-life insurers, whose financial position is much stronger, indicated that their liabilities from the disaster would be smaller than was initially feared.

A very small minority of homes in the region of the quake had any earthquake insurance. In Hyogo prefecture, where most of the destruction occurred, only 3 per cent of the population had earthquake insurance on their property.

But insurers will have to pay only a small proportion of even this exposure as a result of rules introduced by the government in the 1960s to protect the

insurance industry from massive catastrophes.

For household insurance, the government pays a little less than half the liabilities, up to the first ¥336bn. Total damage liabilities of between ¥360bn and ¥1,800bn are split - 55 per cent from the government and 5 per cent from the insurers.

The insurance companies' portion is itself partially offload to Japan Earthquake Re, the institution through which a substantial proportion of their exposure is reinsured.

So, in the event of damage up to ¥1,800bn (\$11.5bn) (more than the declared total of insured property in Hyogo), the government would pay ¥1,526bn, the insurers ¥168bn and Japan Earthquake Re ¥106bn.

The insurance companies will be required to make additional payments to householders whose houses were destroyed by fire, but these payments will be small.

Just what the insurers will be required to pay on commercial property policies is still unclear. Neither the insurance companies nor the insured reveal the extent of coverage, although the extent of exposure in this area is probably greater than in the residential sector.

But here, too, there is substantial reinsurance - up to 80 per cent of the total, according to some estimates.

Overall, then, the insurance companies should be able to absorb the blow easily through their substantial reserves.

## Mexican peso slips over delay of support

By Ted Bardacke in Mexico City and Richard Lapper in London

The Mexican peso weakened to a 10-day low yesterday, as investors showed nervousness over what could be a damaging delay in approving a giant US financial support package.

Other Latin American financial markets also weakened on the prospect that the US Congress would not vote on the Mexican package until at least the end of the month.

This led to concern about likely market volatility over the next two weeks. One currency trader in Mexico City said: "We still think the plan will eventually pass. But now it looks like next week will be tricky."

The support is to help Mexico surmount a financial crisis set off by a surprise devaluation of the peso a month ago. Since then, the peso has fallen almost 39 per cent in value against the US dollar.

In Washington, Mr Newt Gingrich, speaker of the US House of Representatives, criticised the White House for failing to get Democratic legislators behind the package. The Republican said: "Opposition to it appears to be growing, particularly among the Democrats, which will make it much harder to get Republicans."

There were suggestions in Washington that, to defuse opposition there, the size of the package might have to be scaled down from the maximum \$40bn (\$25bn) now being mooted. A shortening of the proposed maximum 10-year period for financial guarantees to Mexico also seemed a possibility.

In Mexico, unrest in the southern state of Tabasco also heightened worries that an ambitious political reform initiative from President Ernesto Zedillo could collapse, leaving him weakened. The initiative, to create an agreed political reform agenda among leading political parties, was meant to defuse political tension in the country, but appeared to be achieving the opposite.

The support package is likely to carry economic and political conditions. The US Treasury is seen as likely to insist on tighter and more frequent monitoring of Mexican reserves, money supply and fiscal targets beyond that normally expected from the International Monetary Fund.

Mexico is also likely to have to agree to political conditions - on migration, for example - despite such conditions being regarded as impossible to enforce effectively.

At midday yesterday, the peso was trading at 5.675 to the dollar, the lowest point since January 10 when President Bill Clinton of the US announced his government's intention to support Mexican financial markets, and well below the Thursday close of 5.95 to the dollar.

The Mexican stock market's main IPC index was also down sharply - 2.4 per cent and hovering at the psychological barrier of 2,000 points.

Latin American bond and stock markets fell in Mexico's wake. Argentine shares were down 2.3 per cent and Brazilian down 4.3 per cent in afternoon trading. Brady bonds (issued by Latin American and other governments in exchange for restructured commercial bank debt) also tumbled again yesterday after falls of some 2 per cent on Thursday. The most widely traded Mexican paper - par bonds - fell by about 4 per cent.

In Tabasco, members of the ruling Institutional Revolutionary party (PRI), backed by state police, fought militants of the leftist opposition Democratic Revolutionary party (PRD) in the central square of the capital, Villahermosa.

The confrontation had erupted after reports that Governor Roberto Madrazo, a PRI member, would be forced to step down as a concession to the PRD for signing a national political accord.

When Mr Madrazo refused a federal government suggestion to quit, his supporters attacked PRD militants who had been blocking the entrance to the governor's palace since Mr Madrazo was sworn in as governor on January 1. After the PRD supporters were chased away late on Thursday, Mr Madrazo entered the palace for the first time.

For most of the strikers it is probably already too late. Short of getting Bridgestone/Firestone's use of replacement workers declared illegal in court, a process that could take years, the URW appears to have little chance of getting all of its members back to work.

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## INTERNATIONAL NEWS DIGEST

### Move to boost Bosnian truce

Eleven western and Islamic countries were yesterday preparing to strengthen the UN peace-keeping force in Bosnia, even as the truce they are supposed to be monitoring was reported to be in danger of collapse. The latest offers received by the UN include 13 Apache attack helicopters from the US.

This would mark a big increase in the UN's capacity to retaliate in force to misbehaviour. The US will not provide crews for the Apaches, and UN officials said the "Byzantine tanks" might be manned by Dutch forces. Bangladesh, Pakistan, and Malaysia - Muslim countries which are prepared to stay in Bosnia even if westerners withdraw - have offered a mechanised battalion each, while Turkey's offer includes mortar-detecting radar. Britain said it would provide 15 helicopters, about 200 airmen to man them, and 20 military observers.

General Sir Michael Rose, who is to end his year-long assignment to Bosnia as UN commander on Tuesday, yesterday said the truce could unravel unless peace talks restarted among the parties. Fighting between government and Serb troops eased slightly in the north-western pocket of Bihać, said UN officials. Bruce Clark, London, and Laura Silber, Belgrade.

### German draft budget rejected

Germany's Social Democrat-dominated Bundestag (upper house), yesterday rejected the 1995 draft budget, in a move likely to force Mr Theo Waigel, finance minister, to revise his plans to reduce the budget deficit. Last week the Bundestag's finance committee also rejected the draft budget. Although it has still to go through two further readings in the Bundestag lower house, the rejection by the upper house reflects the SPD's determination to apply greater pressure on Chancellor Helmut Kohl's governing coalition, which enjoys only a majority of 10 votes in the lower house. Judy Dempsey, Berlin.

### Indonesian inflation worries

Indonesia's inflation rate is set to remain a concern for the government despite optimistic projections made in the fiscal 1995-96 budget that it would average 6 per cent. The governor of Bank Indonesia, the country's central bank, said inflation registered 9.24 per cent in 1994, slightly less than the 9.77 per cent recorded a year earlier, but still far above the target 5 per cent annual rate set in the country's current five-year development plan. Bank governor Sudradjat Djuwanda said there was "definite potential" for the economy to grow by more than the projected 7 per cent and, as a result, "there is concern about inflationary tendencies". Manuella Saragosa, Jakarta.

### Luxembourg PM sworn in

Mr Jean-Claude Juncker (left) was yesterday sworn in as prime minister of Luxembourg, succeeding Mr Jacques Santer, recently appointed president of the European Commission. Mr Juncker, who was finance and labour minister under Mr Santer and chairman of Mr Santer's Social Christian party (SCV), has pledged continuity. He said: "I am not going to change Luxembourg. I become the prime minister of a government negotiated by my predecessor. I might have put accent on some different aspects, but now I must continue his work."

Mr Juncker first entered the cabinet in 1984 as minister for employment and social security. Now 40, he is the youngest premier in Luxembourg's history and will serve out the remainder of Mr Santer's term of office, ending in June 1999. A lawyer by training, he has a reputation as a tough pragmatist, and a defender of labour interests. Foreign Staff.

### Lisbon call for resignation

Portugal's opposition leaders yesterday called for the resignation of Mr Fernando Nogueira, defence minister, after a newspaper revealed an armed forces company had repaired helicopter engines for the Indonesian Air Force. Portugal severed diplomatic relations with Jakarta and urged a troop embargo after Indonesia's 1975 invasion and subsequent annexation of East Timor, a former Portuguese colony. Prime minister Mr Anibal Cavaco Silva refused Mr Nogueira's offer of resignation two months ago after disclosures that the same company had serviced military aircraft for the Angolan government, blemishing Portugal's role as a neutral arbiter in the civil war in Angola, also a former colony. Peter Wise, Lisbon.

### Canada-China telecoms deal

Northern Telecom, the Canadian telecoms equipment maker, has extended its interests in China through a fibre-optics joint venture with the Liaoning Posts and Telecommunications Scientific Research Institute. The venture, to be controlled by Northern, involves setting up a company to make high-capacity, fibre-optic transmission systems in the north-east city of Shenyang. These systems connect local and regional telephone switching equipment. Bernard Simon, Toronto.

## Japanese ways anger US tyre workers

Bridgestone dispute has aroused a nationalistic response, writes Richard Waters

To Bridgestone/Firestone, the US arm of the Japanese tyre company, the reason for its current run-in with the Clinton administration is nationalistic sentiment pure and simple.

The spat that has broken out with President Bill Clinton and his labour secretary, Mr Robert Reich, has certainly touched a nerve in US-Japanese business relations. It was sparked earlier this month when Bridgestone said it had hired 2,300 new workers to replace 4,000 union members who have been on strike for the past six months.

Suddenly, the US workers on picket lines in Midwest heartland cities such as Des Moines, Iowa, and Decatur, Illinois, may have no jobs left to fight for.

Hiring replacements in the midst of a strike like this is nothing new. Last September, Italy's Fiat, which bought US tyre maker Armstrong in the 1980s, hired 800 permanent replacements for 1,100 of its own striking workers at plants in Tennessee and Texas.

The Bridgestone dispute, though, has raised the issue to a new level. "Japanese companies can't do this to Japanese workers - but they can do it to Americans," an official at the

United Rubber Workers grumbled last week.

Mr Clinton had hinted at the same nationalistic sentiment some days before. Bridgestone was "flagrantly turning its back on our tradition of peaceful collective bargaining to solve labour disputes," he complained.

Playing the anti-Japanese

rejected by both Mr Masatoshi Ono, chief executive of the US operations, and Mr Yoichiro Kaizaki, president of Bridgestone in Japan. That snub - and the earlier intervention forced Bridgestone/Firestone to make at least one concession last week, as it agreed to meet a federal mediator to hear a union proposal to end the

dispute. The company says it will respond within a week.

But the dispute has raised three issues for the tyre industry - and for US organised labour generally - that will not be smoothed over easily.

First, industry-wide labour agreements are under fire. The dispute blew up last summer when Bridgestone refused to follow long-standing industry practice and accept a three-year labour contract similar to ones already agreed by rivals Goodyear and Michelin, the French owner of Uniroyal Goodrich. The URW's success over the past 80 years in retaining broadly similar terms and conditions for its

100,000 members is under threat.

Second, companies are more prepared to use the draconian measure of hiring new workers to replace strikers - and labour is still in plentiful supply, despite the US's tumbling unemployment rate. The administration last year failed in an attempt to pass legislation banning the hiring of permanent replacements, and the idea is unlikely to be revived under a Republican Congress.

Third, and perhaps most important, the Bridgestone/Firestone dispute has made clear that life is changing for many of the Americans who hold relatively highly paid jobs in manufacturing companies. Bridgestone wants its workers to contribute to their own healthcare costs and to work for 12 hours at a stretch, rather than the current eight-hour shifts. The URW has agreed to both points in the proposal it put forward last week, the company says.

For most of the strikers it is probably already too late. Short of getting Bridgestone/Firestone's use of replacement workers declared illegal in court, a process that could take years, the URW appears to have little chance of getting all of its members back to work.

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### 'Japanese companies can't do this to Japanese workers - but they can do it to Americans,' a United Rubber Workers official grumbled after replacements for strikers had been hired

card may have been a sure-fire way to score political points and bolster the president's standing with organised labour. But there are other reasons for the acrimonious turn this dispute has taken.

Last April, Bridgestone moved to close a plant in Oklahoma City, capital of Oklahoma state, after Mr Reich had ordered it to improve safety procedures. The plant was saved only after the labour secretary travelled to Oklahoma to fight for its reprieve.

The labour secretary's rancour rose again this month when Bridgestone officials refused to meet him to discuss the dispute. Approaches were

around in labour relations at Bridgestone/Firestone. After the takeover of Firestone in 1988, Bridgestone became a model of good labour relations in the US.

The reversal of that situation has left bitter memories. "It went from being one of the best companies in the industry to being one of the worst," the union says.

It is not hard to see why relations have changed. Bridgestone/Firestone suffered losses of nearly \$1bn (\$640m) in 1990-92. It puts its profits last year at only \$10m - even though US economic growth is close to its cyclical peak. Without changes to working prac-

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## NEWS: UK

# Irish minister voices worry on peace process

By John Murray Brown  
in Dublin

Mr Dick Spring, foreign minister of the Irish Republic, yesterday called for a speedy conclusion to the negotiations with London on the framework for a political settlement in Northern Ireland amid growing concern in Dublin that further delays could damage the peace process.

The government of the republic is increasingly concerned that unionist politicians in Northern Ireland are using their support for Mr John Major's beleaguered government in votes in the House of Commons as leverage to extract concessions on the framework document. The document is intended to form the

Two members of the Irish Republican Army who prepared a bombing campaign on the British mainland were sentenced in London yesterday to long prison terms. Mr Robert Fryers, 44, from Belfast, was jailed for 25 years and Mr Hugh Jack, 37, from Sauchie, central Scotland, for 20 years after they were convicted of conspiring to cause explosions.

The judge, Mrs Justice Ewsworth, told them: "You are both shown to be ruthless and remorseless men - prepared to wreak

havoc in people's lives as well as economic destruction." They were prepared to cause injury or death in the name of their cause, she said.

Mr Fryers said in court: "I am not guilty of any criminal offence. When I came to this country I believed what I was doing was right and still believe that. Ireland has been under British occupation for the last 800 years and the Irish people have consistently fought that occupation. The British and the judiciary responded

by putting to death and imprisonment many Irish people. It has never worked." He expressed the hope that, in view of the peace process in Ireland, his would be one of the last Irish republican cases in an English court.

He was caught in 1993 as he was about to board a bus into central London to plant a bomb made of more than 1kg of Semtex high explosive and petrol. The judge said: "It was a device which was of truly devastating capacity."

cross border institutions to reflect the Irish identity of nationalists. Unionists in Northern Ireland are concerned that giving executive powers to cross-border bodies will bring about a slow and steady integration of Northern Ireland into the republic.

Dublin is concerned that the unionists should not be seen to be winning concessions which could force both governments to take a more partisan view, with London siding with unionists and Dublin acting as proxy for nationalist interests. Mr Spring said the document had to be acceptable to "all the parties in Northern Ireland; it's not a question of one government gaining advantage over the other".

date for a summit between Mr Major and his Irish counterpart Mr John Bruton, when the framework document is due to be published.

Officials say the document will balance unionist demands for changes to the republic's constitutional claims on the North with the setting up of

basis for all-party talks on the constitutional future of Northern Ireland.

On Wednesday, Ulster Unionists backed the Major government on a vote in the Commons about fisheries policy after receiving assurances from Mr William Waldegrave, farming and fisheries minister,

that no joint all-Ireland marine fisheries policy was envisaged in the framework agreement.

Mr Spring said yesterday it was important to see the framework document completed "as quickly as possible" so as "not to squander the opportunities [for peace] that exist. There isn't a

great gap between the governments, but we want to get it right."

Irish and British officials are to meet again on Monday. If there is enough progress, officials say Sir Patrick Mayhew, Northern Ireland secretary in the British government, and Mr Spring may announce a

## Minister applauds EU move on veal

Financial Times Reporters  
in London

The European Commission is to bring forward a review of the use of crates for rearing veal calves, the Ministry of Agriculture in London announced last night. No date was given for the review, originally scheduled for 1997. The move came after weeks of protests at British ports against the transport of calves to France and the Netherlands for rearing and slaughter. The housing of veal calves in crates has been banned in Britain for five years and British consumption of veal as opposed to beef is low.

Mr William Waldegrave, UK agriculture minister, said: "Up to 500,000 calves a year are exported from this country to be reared in other member states where veal crates are still used. Many find this illegal and abhorrent."

The Royal Society for the Prevention of Cruelty to Animals said: "This is exactly what we have been pressing for. It brings the end of this cruel and unnecessary system a step closer."

Farmers yesterday condemned the decision by the port of Shoreham on the south coast of England to halt shipments of live animals following a series of violent protests. Mr Martin Burt, a livestock farmer from northern England, said: "Of course it makes us angry and frustrated. We're struggling to keep this trade open, and if these southern ports are closed the animals are forced to go on a longer crossing."

Mr Philip Lacey, general manager of the Shoreham port authority, said he was giving formal notice to International Traders Ferries that the authority would end its contract for shipping through the port. Mr David Revell, managing director of ITF, said he was shocked by the decision and would be talking to lawyers.

Protesters gathering at the port of Brightlingsea in eastern England heralded the decision as a triumph and said they would turn their attention to other ports shipping livestock.

The National Farmers' Union said the problems over veal crates and limits on animal journey times had to be solved by the European Union. Officials have urged Mr William Waldegrave, agriculture minister, to press for a European Union ban on veal crates at a meeting of EU farm ministers to be held on Monday.

Mr Waldegrave has written to Mr Franz Fischler, the new EU agriculture commissioner, asking for his support at the council. He says in the letter that he will appeal urgently for further strengthening of EU rules on veal crates and journey times.

Meanwhile farmers are worried that the knock-on effect of the animal protests will hit beef prices in the coming year. Many calves that would have been exported for veal are being reared in the UK. Mr Burt estimates that about 70,000 additional calves have been kept in Britain since October, when the large ferry companies banned the trade.



English team visits Scotland: John Beckwith from southern England practised near the Scottish ski centre of Aviemore yesterday with his four-dog sled before the start of a husky rally

## Ruling on asylum is opposed

Mr Michael Howard, home secretary, yesterday asked the Court of Appeal in London to overturn a judge's ruling which immigration lawyers say could lead to the release of hundreds of asylum seekers including illegal immigrants held in British detention centres.

Mr David Pannick, a lawyer representing Mr Howard, told three appeal judges that unless a High Court decision was overturned it would lead "to very surprising results which no rational Parliament could have intended".

A High Court judge ruled on Monday that four men - three Indians and a Pakistani - who had been declared illegal immigrants but claimed political asylum were "illegally detained" under the tough UK immigration laws.

Mr Pannick said that, as a result of the decision, "all an illegal entrant needs to do is assert an asylum claim and his detention under Schedule 2 of the 1971 Immigration Act must come to an end while his claim is considered."

That would be the case however well founded the concerns

of an immigration officer that he might abscond, a fact "which may be a considerable concern in relation to an illegal entrant".

Human-rights groups are to protest to the United Nations about what they call the British government's "appalling" treatment of migrants, refugees and asylum seekers.

The human rights organisation Liberty and the Joint Council for the Welfare of Immigrants said the UK's record was far worse than those of its European neighbours.

Why pick on us when lawyers are allowed to hire MPs? asks public relations chief

## Lobbyist hits at threat from 'sleaze' judge

By James Blitz at Westminster

A leading political lobbyist hit back yesterday at attempts to control the activities of lobbyists in the Houses of Parliament. Ms Leigh Mendelsohn, a director of the Public Relations Consultants Association, warned against outlawing all business connections between MPs and lobby groups.

"By banning links with MPs you would drive lobbying underground," she said. "Some of our members have argued in

the past that you should ban it, but people will always get round the rules."

She was commenting on suggestions by Lord Nolan, chairman of a committee investigating "sleaze" and standards in public life. The committee was formed after it was alleged that some MPs were prepared to question ministers in the House of Commons about matters of interest to businesses in return for fees from the businesses.

After nine hours of inquiry

in three sessions this week, the mood of the committee shifted from its formerly cautious approach. Lord Nolan said the committee may recommend that independent adjudicators should help to regulate the conduct of MPs. It will probably also draw up rules to govern the relations between parliamentarians and lobby groups.

Ms Mendelsohn expressed concern that the committee had already declared that connections between MPs and lob-

byists should be controlled. She claimed that it would be unfair to single out the work done by general lobbying agencies while allowing other groups to continue hiring MPs. "Lawyers and management consultants are all into parliamentary lobbying these days and hire MPs," she said. "Where would you draw the line?"

Ms Mendelsohn's views contrasted sharply with those of Mr Charles Miller, secretary of the Association of Professional

Political Consultants, who is due to give evidence to the Nolan committee next week.

He said the committee must draw a sharp distinction between the work done by professional lobbyists, who carry out specialist government relations work for clients, and public relations companies, who mainly launch campaigns.

Mr Miller claimed there are 25 MPs in the current Commons Register of Members' Interests employed by some 23 public relations companies.

## Romans leave city an unwelcome legacy

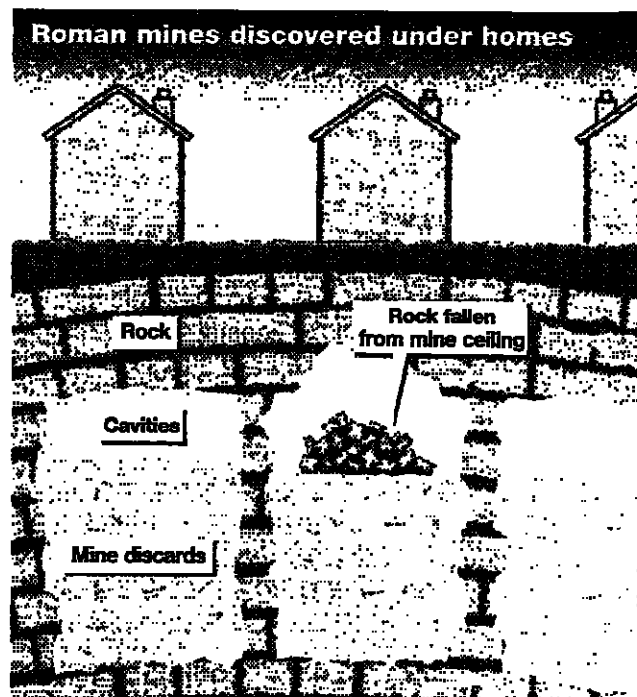
Bath in south-west England is one of the most famous historic cities in Britain, famous for its Roman spa. Its links with the Regency period and its American Museum. But the Romans, whose well-preserved baths complex have helped to make the city the only one in Britain to be declared a World Heritage Site under United Nations Guidelines, left an unexpected and unwelcome legacy.

Geologists working for the city's council say one of its residential areas is in danger of collapsing into old mine workings. City engineers say 400 homes on Combe Down, to the south of the city centre, are at risk unless shallow mines covering almost 30ha are filled in.

But residents and local environment groups say the material which could be used to fill the cavities, pulverised fuel ash (PFA), might contaminate the land. PFA, a waste material from coal-fired power stations, contains trace elements of beryllium, arsenic, cadmium and mercury. Residents are also worried that the infill material could interfere with water flows.

Filling the mines could take five years and require 500,000 tonnes of material brought in by a constant convoy of trucks. Ms Orange Trevillion, who lives in the area, said: "It has been scientifically proved that 20 per cent of particles of PFA are below five or seven microns in size. This appar-

Stewart Dalby examines the cost to householders of the heritage status of their famous surroundings



ently means they can be respired. This can lead to asthmatic and bronchial problems."

As Bath expanded, mining beneath it increased. The pillar-and-room system was used, with some rooms or caverns stretching 12m across. The harder rock above was of no

economic value and was left to form the mine roof. By the 1670s extraction had ceased because most of the easily won stone had been extracted. The mines were forgotten until the mid 1980s, when a mechanical excavator fell into a deep hole near houses.

The city council began the first modern surveys in the late 1980s and, at a loss to know what to do about possible collapses, called in Dr Brian Hawkins, a geologist from Bristol University. Combe Down residents found that their homes were suddenly impossible to sell. After further surveys which showed the area to be unstable, Dr Hawkins and the city council decided that a permanent solution should be found and that the best method would be infilling the entire area with concrete mixed with PFA, then regarded as an orthodox building material.

By this time residents had formed a protest group which, in keeping with its genteel surroundings, describes itself as a "forum for discussion". Mr Ian Barclay, its researcher, suggested partial stabilisation of the mines through shoring up the pillars and careful monitoring of the rest as a better solution than infilling. The council, to everyone's surprise, agreed to stop the PFA infill plans and look at alternatives.

Sir William Halcrow and Sons, a firm of consultant engineers, was hired to look at the options and examine the human and environmental issues - including the welfare

of bats which inhabit the mines. Then the legislative background changed. Under a European Union directive PFA was designated a waste substance, although not a hazardous one. Finally Halcrow, having considered all the options, in September last year came out in favour of a scheme similar to the original Hawkins plan - completely filling the mines with a PFA-based grout.

Forum members feel this plan, which would cost £21.6m, was recommended partly on the grounds of economy. A scheme by the Bath Stone company to shore up where necessary would cost £23.8m and would not attract a grant. The same company's complete stabilisation option would cost £42.5m.

The Halcrow plan was accepted in principle at a meeting of the full council last December.

Asked whether the Halcrow plan is the same as the original proposals, Mr Michael Froggatt, assistant director of the council's property and engineering services department, said: "In a word, yes. But there are modifications. Only 70 per cent of the area will be infilled."

More important, no decision has been taken on whether PFA will be used as the infill material. But Mr Barclay is not satisfied. He said: "I have many concerns and the battle will go on."

## UK NEWS DIGEST

## 15,000 London mail workers go on strike

All mailboxes in London were sealed yesterday after 15,000 delivery workers walked out in a dispute over working practices which disrupted deliveries and collections throughout the capital. The Post Office advised customers to post mail outside London because its offices in the rest of the country were working normally.

Talks continued last night between the Post Office and the Union of Communication Workers. The strike, involving about a third of London's Royal Mail delivery workers, went ahead despite a court order against illegal sympathy action obtained by the Post Office. The dispute started at the north-west London sorting office in Camden where workers are in dispute over the introduction of a new computer system which they claim increases their workload.

Royal Mail said: "The result of these changes will be more efficient service. No employees will lose any money or their jobs because of these changes." The union said: "The prime objective for the union and its members is not only to keep within the law but to seek a speedy resolution to this dispute."

The Camden dispute was over the introduction of a system known as Computer-Aided Delivery Revision, which Royal Mail uses to calculate the number of staff needed to deliver mail most efficiently. Royal Mail said the system was being gradually phased in around the country, and was already successfully operating in 50 out of 150 delivery offices in London.

The banking trade union Bifc said it was holding stock ballots at Yorkshire Bank and Clydesdale Bank - both owned by National Australia Bank - after pay talks broke down. About 9,500 staff will be asked whether they support a series of one-day strikes. Andrew Bolger, Employment Correspondent

## Lending by banks grows

Lending by the biggest British banks continued to grow last month even though companies appear increasingly to be borrowing from mainland European banks. The British Bankers' Association said yesterday. The Bank of England reported that banks and building societies had lent £2.8bn (\$5bn) to the private sector in December after adjusting for seasonal effects. That was more than City economists expected and further fuelled expectations of an early interest rate rise, perhaps after the chancellor of the exchequer and governor of the Bank of England hold their regular monthly policy meeting on February 2.

The figures added to market nervousness about inflation. This had been fuelled on Wednesday by news of a 2.5 per cent rise in the retail price index in the year to December and by one of the biggest falls in unemployment on record in the same month. Lending in November and December was higher than in any other months since late 1992. The December total included lending of £1.46bn by the biggest British banks and around £0.9bn by building societies. The association said that the remaining £0.4bn was probably accounted for by banks outside Britain, the US and Japan.

Robert Chote, Economics Correspondent

## Industrialists' plea on rates

There is no case for raising interest rates, industrialists in the west Midlands told the government yesterday. "We don't believe that there is inflation building up in the economy," said Mr Jeremy Woolridge, chairman of the Confederation of British Industry in the west Midlands, after a meeting of his regional council.

This assessment is at odds with that of City commentators who on Thursday predicted an interest rate rise in February following publication of figures showing a Christmas surge in retail spending.

Reporting the regional council's views about potential inflationary pressures, Mr Woolridge acknowledged concern about future pay levels. "There is increasing pressure on pay but there are still productivity rises and unit costs are thought to be still falling," Paul Chesswright, Birmingham

## Green light on Big Ben

Big Ben, the famous clock that towers over the Houses of Parliament, appeared last night in green light after a decision by the government to include it in a drive for greater energy efficiency. The clock, installed more than 135 years ago, was lit by gas until 1966 when electricity was installed. The present lights date from 1987. The government hopes the new lights will help to reduce energy consumption in the Houses of Parliament by 15 per cent. Hugh Clayton

## Samsung chooses extra site

Samsung, the Korean industrial group building a £450m (\$702m) electronics complex in north-east England, is believed to have chosen a site in North Yorkshire for another manufacturing project. The company is understood to have selected a 20ha site midway between Harrogate and York. The site includes premises totalling more than 60,000 sq m.

Last month, Samsung revealed it was considering setting up a UK plant to assemble excavators and other heavy equipment. It said it was considering a number of sites for the new plant, which it expected to employ about 100 people initially.

Mr Cho Ki-jeh, managing director of the construction equipment division at Samsung Heavy Industries in Seoul, has flown to the UK to announce that the company plans to establish a site to build excavating equipment. Chris Tlohe, Newcastle upon Tyne, and John Burton, Seoul

## Deadline for reactor nears

Sizewell B, Britain's first electricity-generating pressurised water nuclear reactor, is due to go critical in the next 10 days. Pulling the control rods out of the reactor will be the final step in a process which began in 1982, when a public inquiry met to consider plans to build the plant. The decision to build Sizewell B as a pressurised water reactor, to a basic design by the US Westinghouse group, marked the death knell for the UK-devised Advanced Gas-cooled Reactor.

Subsequent PWR projects in the UK were shelved because of the changing economics of the electricity generating industry. But hopes that building PWRs would give British companies a foothold in an important international business have not gone completely unheeded. Nuclear Electric, which substantially modified the original US design, is expecting to hear next week whether it has won a joint venture with Westinghouse for a \$2bn (\$470m) twin PWR reactor plant in Taiwan.

Haig Simarian, Environment Correspondent

## Row over RAF contract

Scottish MPs last night attacked a decision to award a big Royal Air Force aircraft servicing contract to private contractors. The Ministry of Defence announced that a consortium of F.R. Aviation of Bournemouth and Serco of west London had beaten an RAF team bidding for the contract to service Nimrod maritime patrol planes. Work will be carried out during the five-year contract at the Nimrod's base at RAF Kinloss, Grampian.

Mrs Margaret Ewing, parliamentary leader of the Scottish National party, said: "It appears that 35 years of expertise, commitment and dedication are to be thrown aside for the sake of a few pennies in the government's drive for a monetarist policy." PA News

## GM vehicles are recalled

Vauxhall, the UK offshoot of General Motors of the US, is to recall more than 18,000 of its Frontera four-wheel-drive vehicles after a few cases were reported of the bonnet lifting while the car was moving. The cars will be checked to ensure that the bonnet fastening devices are in order. No accidents or injuries were reported from the incidents. PA News

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## COMPANY NEWS: UK

## Marketmakers quizzed over power share deals

By Norma Cohen and Peggy Hollinger

The government's investigation into dealing in the shares of National Power and PowerGen has been extended to marketmakers who typically act only as middlemen in the purchase and sale of shares.

The inquiry comes as the government prepares to sell its remaining 40 per cent stake in the two electricity generators for an estimated £4bn.

Section 212 notices, which require the recipient to disclose the beneficial owner of shares in their possession, are typically only sent to those who hold shares in the names of nominees, a procedure which can obscure the true owner of the shares.

It is highly unusual to extend such notices to marketmakers because these are unlikely to be building a stake on their own account.

However, advisers to the government said they intended to scrutinise the reports to determine whether large volumes of National Power and PowerGen shares were changing hands.

It will help them uncover large-scale sellers who will not be allowed to buy shares in the allocation.

The advisers are also asking marketmakers to complete questionnaires about their transactions in shares of the two generating companies, although they are not being asked to disclose names of counterparties.

Meanwhile, advisers to the sale insisted that National Power and PowerGen had been interrogating their shareholder lists for some time.

The advisers to send section 212 notices to marketmakers last Wednesday was unrelated to revelations that Swiss Bank Corporation had built up an 8

per cent stake in Yorkshire Electricity via its market-making arm, they said.

Barclays de Zote Wedd and Kleinwort Benson, who are advising the government on the sale of the stakes, say the notices could be sent as frequently as weekly in the run up to the pricing at the end of February.

The mailing of section 212 notices to marketmakers is the next phase in an effort to monitor dealings in the two companies' shares.

Both companies occasionally monitor their shareholder registers through 212 notices. This information has been passed to the government's advisers in the run-up to the sale.

However, in November at the government's behest they began sending notices to Sepsen, the Stock Exchange's nominee account, and to those who owned American Depository Receipts.

## Receivers sell bulk of Athena franchise

By Jim Kelly, Accountancy Correspondent

Receivers to Athena, the poster and greetings card chain, have sold the majority of its franchise operation, and Athena trademarks, to a consortium of the franchise operators.

"We are delighted that the sale of the major part of the franchise business has been achieved, ensuring the continuation of the Athena presence in high street retailing," said the receivers. Of the 29 franchise stores 16 are included in the deal.

Most of the Athena chain, comprising 127 shops, collapsed on January 11 when the receivers announced that no buyer could be found. Athena had been forced into receivership by its parent company, the specialist retailer Pentos, just after Christmas, in order to stem debts.

The franchise operation was separate from the rest of Athena and franchise operators were responsible for rent and contracts with suppliers. A royalty was paid to Athena for the brand name, marketing support and purchasing agreements.

Mr Scott Barnes, a partner at Grant Thornton and one of the receivers, said: "There were other bidders about." It is understood the deal includes an undisclosed lump sum and options on stock.

The consortium will be free to develop the Athena business and open new shops in the chain. Among them are Vardon, which in March opens the UK's biggest club, in Croydon, with 3,200 seats, and First Leisure, which acquired seven clubs last June and plans to open seven more by July.

A lot of money is at stake. Gaming Board figures show a steady rise from £661m in 1991 to £715m in 1992 and £787m in 1993 - and that does not include money spent on admission, amusement machines and catering. About 3m people play each week.

In the old days bingo was the salvation of many a redundant cinema, where the game is still mostly played. Most of the UK's 950 clubs stand in town centres, have little car parking space and, probably most important, have sloping floors.

But now bingo is following in the footsteps of the cinema industry, which was hauled out of the 20th century by the advent of multiplex units.

Supporters of Celtic, the Glasgow football club, were urged yesterday to turn up at the ground over the weekend to submit last minute applications for a share offer which closes on Tuesday morning.

Although Celtic said applications have flowed in strongly this week, many supporters have left it too late to obtain an application form and return it by post. Celtic urged fans not to swamp the club with telephone calls but to go in person.

Celtic, which last March was rescued from the brink of receivership by new owners led by Mr Fergus McCann, now chairman and managing director, is raising up to £3.4m to pay for improvements to its stand and for new players. The shares are traded on the Stock Exchange on a matched bargain basis under Rule 4.2.

The minimum subscription is £620, comprising five ordinary shares worth £64 each and five cumulative preference shares worth £80 each. There is a range of incentives, starting with priority seat selection in the new stand.

People paying a minimum of £82,000 can watch home matches from the boardroom.

The share offer will raise a minimum of £7m. Some £4m has been placed with QFS Financial Services of Dublin in which Mr Dermot Desmond, former chairman of NCB Stockbrokers, has an interest. A further £2m is underwritten by Greig Middleton, the stockbroker. The club hopes to raise a further £2.4m from supporters on top of that.

Last May, Celtic raised £12.4m in a rights issue, of which £5.3m was used to pay off the overdraft with the Bank of Scotland, since replaced by the Co-operative Bank.

The club wants to complete a £17m upgrade of its stadium and buy new players to revive its fortunes.

## No rights issue or dividend cut this year, engineer pledges

### T&N mounts attack on analysts

By David Blackwell

T&N, the engineering group, would not make a rights issue or cut its dividend this year, Mr Colin Hope, chairman and chief executive, said yesterday.

Mr Hope, who has not ruled out a reassessment of the dividend next year, attacked City analysts for writing assessments of the group postulating dividend cuts and reductions in capital expenditure.

These had led institutions to raise the dividends issue with him in talks held with two thirds of the shareholders, since the group announced in November a surprise £100m provision against future asbestos-related claims.

As Turner & Newall, the group was formerly one of the UK's largest asbestos suppliers.

News of the provision on Budget day knocked 25 per cent off the share price in two days, taking it down to 186p. Yesterday, the shares shed a further 6.5p to close at 144p. At this level they yield 9.4 per cent, more than twice the market average.

The dividend has been uncovered for the past three years. At the interim stage, the group announced an enhanced scrip alternative in a bid to retain cash.

Speculation over a rights issue revolves around the group's option to pay up to

DM282.6m (£117.8m) to acquire a 52.5 per cent stake in Kolbenschmidt, a leading German motor components producer.

The deal, which has yet to be cleared by the German cartel office, would make T&N one of the world's leading producers of engine pistons.

However, Mr Hope said it would be "absolutely ludicrous" to fund the acquisition through a rights issue, given the state of the share price. He was also not prepared to let debt get out of control.

Possibilities under consideration, if the deal went ahead, included rolling over the option on Kolbenschmidt, or taking a smaller stake with a further option.

T&N's option expires at the end of March. An initial verdict from the German cartel office is expected in February.

Mr Hope said he had explained to institutional shareholders his belief that the group could "lift profits, improve its market position and reduce debt". Capital expenditure and research and development programmes would be maintained. "We are in a very healthy position in terms of general trading."

The shareholders had "almost unanimously" supported the group's strategy, and shown understanding of the problems arising from the asbestos claims, he said.

## Cashing in on bingo's new image

The latest flat-floor clubs on the edge of town are attracting younger players. David Blackwell reports

It's eyes down in the race to cash in on bingo - the last retail leisure activity in the UK to be repackaged.

The popularity of the national lottery has helped focus leisure companies firmly on bingo, a form of gambling ideally suited to the mass market. The image of the bingo club still has a long way to go, but the new so-called flat-floor clubs are starting to change the face of the industry.

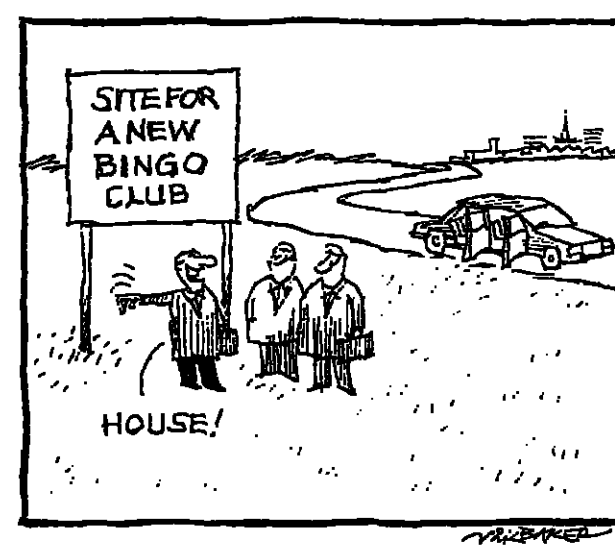
Build a flat-floor club on the edge of town and attendances soar compared with a town centre club, according to Mr Michael Gifford, chief executive of The Rank Organisation, which dominates the UK market along with Bass.

However, other companies are keen for a slice of the action. Among them are Vardon, which in March opens the UK's biggest club, in Croydon, with 3,200 seats, and First Leisure, which acquired seven clubs last June and plans to open seven more by July.

A lot of money is at stake. Gaming Board figures show a steady rise from £661m in 1991 to £715m in 1992 and £787m in 1993 - and that does not include money spent on admission, amusement machines and catering. About 3m people play each week.

In the old days bingo was the salvation of many a redundant cinema, where the game is still mostly played. Most of the UK's 950 clubs stand in town centres, have little car parking space and, probably most important, have sloping floors.

But now bingo is following in the footsteps of the cinema industry, which was hauled out of the 20th century by the advent of multiplex units.



outside town centres with plenty of parking spaces. Ten-pin bowling followed a similar path; computerised scoring and adjacent attractions dramatically raised attendances.

Flat floors allow players the freedom to wander around, giving them the potential to spend yet more money. But the problem for operators like Rank is where to put the new clubs, especially with the increasing difficulties of winning planning permission for out-of-town sites. Hence speculation in the press this week on Rank's interest in redundant Texas Homecare DIY stores.

Mr Gifford said last week that Rank was planning to open 10 more clubs this year. Spending on bingo in 1994 had

been 5 per cent ahead, but admissions were 4 per cent down, partly because of the hot summer. The group had since been using a promotion scheme linked to the national lottery to boost admissions.

Rank will have £620m following last week's agreement with Xerox of the US to reduce its stake in Rank Xerox, the office equipment company, from 49 per cent to 29 per cent. The average flat-floor bingo club needs investment of about £2m.

Rank would not comment on its reported interest in Texas sheds, saying only that it continually monitors potential new sites all over the country. But bingo is one of its target

interests. Out of the 140 clubs it runs, only 10 are brand new flat-floor clubs, while a further dozen or so have been created by converting other buildings.

Former DIY stores make excellent prospective bingo clubs - provided they are in the right place, a reasonable size and likely to be given the right licence. Mr John Conkan, chief executive of First Leisure, said this week that it received a closures list from chains such as Texas and B&Q every month as the sheds were ideal for conversion to discotheques and ten-pin bowling - and now bingo clubs.

Conditions in the bingo industry were now exactly suited to First Leisure, he said, which could repack it and give it a new image, just as it had done for discos and ten-pin bowling. The group is aiming to open 25 new clubs within the next five years. "We believe that bingo will form a significant part of our profits in the fullness of time," said Mr Conkan. Profits and turnover from bingo last year totalled £2.5m and £9.5m.

Mr Nick Lyons, chief executive at Vardon, believes that bingo, as one of the cheaper forms of entertainment, has a lot further to go. The core market remains women over 45, but the new clubs are attracting younger people and more couples in their late 20s and early 30s. In addition, brewers are selling more beer at the clubs than can only mean that more men are looking for a full house.

## Recs launch fresh buy-backs

By Peggy Hollinger

Eastern Group and London Electricity yesterday joined the new year rush to buy back their own shares, completing deals worth a total of £102m.

Eastern, which led the way last year with a share repurchase programme aimed at using surplus cash and enhancing earnings, yesterday paid £56m to buy back 3 per cent of its equity. It bought 7.74m

shares at 730p through its agent Cazenove.

Eastern has shareholders' approval to buy up to 14.9 per cent of its shares. Last year the group spent £90m buying back shares.

The company said it would not rule out further buy-backs.

London Electricity, meanwhile, repurchased 6.55m shares at 705p, bringing the total spent to just over £46m.

London also used an agent, SG Warburg Securities. This method could allow some qualified shareholders - such as pension funds - to claim a tax credit on the sale.

The Eastern and London buy-backs follow similar moves from Norwich, South Wales and South Western Electricity.

Eastern's shares closed yesterday up 3p at 731p, while London finished 7p higher at 717p.

## HSBC to set up US joint venture with Wells Fargo

By Nicholas Denton

HSBC Group, owner of Midland Bank, Hongkong Bank and about 15 other financial institutions, is to add another associate.

It is planning to fold most of the California business of Hongkong Bank into a new joint venture, Wells Fargo HSBC Trade Bank.

The new venture is to be capitalised initially at \$50m (£26m) and owned 80 per cent by Wells Fargo, the US bank, and 20 per cent by HSBC.

Hongkong Bank will close two branches and two representative offices in California and shift most of their business to the joint venture. HSBC's corporate banking in

California will remain under the name of Hongkong Bank.

In creating the new venture HSBC is building on Hongkong Bank's alliance with Wells Fargo going back to 1989 when each agreed to represent the other in its home market: Hongkong Bank in east Asia and Wells Fargo in California.

At the same time as HSBC added one identity in California, it announced moves elsewhere in North America to streamline its complicated network of businesses.

In New York, Hongkong Bank's six retail branches will retain their name but become a division of Marine Midland Bank, HSBC's main US vehicle. Hongkong Bank will retain branches elsewhere in the US.

In Panama, to eliminate duplication, Hongkong Bank's two branches will be transferred to Midland Bank, around whose name HSBC is rationalising its Latin American and European operations.

HSBC describes the group as a "federation of financial institutions" rather than a global bank and said: "We like all the brand names and we think it works for us." But the profusion of identities was one factor arguing against an HSBC approach to SG Warburg, the UK investment bank. In the UK the group controls James Capel, the stockbroker, and Samuel Montagu, the merchant bank. An HSBC executive said: "We don't need another brand name."

## Park Food raises interim by 20%

By Peter Pearce

Park Food Group, which specialises in selling Christmas hampers direct to customers' homes via commission-paid agents, raised its interim dividend by 20 per cent, from 0.833p to 1p.

However, the shares fell 5p to close at 123p.

Pre-tax losses for the six months to September 30 grew from £4.74m to £4.99m. Mr Peter Johnson, chairman, ascribed the increased loss to the £10.5m acquisition of Heritage Food Group in June, adding that the group made all its profits in the second half. He said there was little impediment - apart from "the abolition of Christmas" - to the group's growth.

Heritage Hampers' 12,000 agents brought the group's total to 90,000. Mr Johnson said that before the acquisition Heritage's average customer spent £140; now the average was

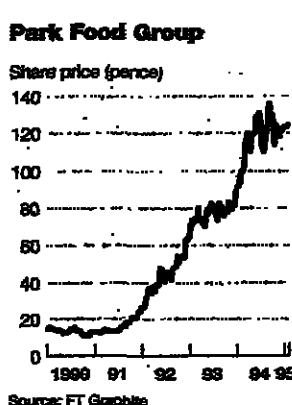
£178. The average spent at Park Food had increased from £170 to £180. Prior to its acquisition, Heritage was the fourth largest hamper company, with Park Food in first place.

Group turnover rose to £18.7m (£11.5m), to which acquisitions contributed £5.68m with operating profits of £783,000. Operating losses overall were £5.85m (£5.85m).

The group continued to use the brands it had acquired - it has Park, Heritage and Country - to maintain agents' loyalty to those names.

Mr Johnson said the new potato product Park was developing, code-named Project Q, had "aroused a great deal of interest". Marketing tests had taken place with both retail and catering food service companies and the product had been well received.

The process enables chips to be deep-fried in 60 seconds, thereby "revolutionising" the manufacture of frozen chips,



according to Mr Neil Alexander, finance director. It will be carried out at the new plant in Birkenhead, which will be opened by June. Production will be between 20m and 50m tonnes a day and the group is currently negotiating with "two of the largest UK high-street retailers".

In December 1993 Park bought Handling Solutions, whose operations include dispatching goods for coupons for other companies. Mr Johnson said this fitted well with the hamper businesses, providing off-season work for packers.

## Porth goes into receivership

By Peter Franklin

Porth Group, the debt-burdened decorations, packaging and framing products concern, yesterday announced that having been unable to obtain further support from its banks it had been forced into receivership.

Shares in the USM-quoted company, which is based in south Wales, were suspended

on Thursday at 24p.

Broad proposals for a capital injection had recently been put together, the directors said, but detailed processing and further negotiations with the third parties concerned were still required.

The time to effect these measures was not now available, though, because the group's bankers did not wish to enter into funding arrangements for

1995. However, a management buy-out at the Framemaker subsidiary had been agreed.

Porth and its subsidiary, Goodmark, have debts of about £8m. Mr Chris Hughes of Coopers & Lybrand has been appointed receiver to both companies.

Mr Hughes said he would be seeking to sell the group as a going concern so that jobs could be saved.

## Disposal deficit trims LPA

Exceptional losses on the disposal of its Aerokool drinking water fountain subsidiary pushed pre-tax profits down from £86,000 to £20,000 at LPA Industries in the year to September 30.

Turnover, including £198,000 (£431,000) from discontinued operations, grew from £5.22m to £5.41m. The pre-tax outcome was after losses on disposals and goodwill attributable to discontinued operations amounting to £182,000.

At the trading level, however, profits on continuing operations before an interest charge of £40,000 (£37,000) more than doubled to £200,712.

Ruschi, chairman of the USM-quoted electrical accessories group, said the order book remained healthy, although orders had been won at very competitive prices. A maintained final dividend of 0.8p makes a total of 1.6p (2.45p). Losses came out at 0.8p per share (0.44p earnings).

### RESULTS

|                | Turnover (£m)     | Pre-tax profit (£m) | EPS (p)     | Current dividend (p) | Date of payment | Dividends corresponding dividend | Total for year | Total last year |
|----------------|-------------------|---------------------|-------------|----------------------|-----------------|----------------------------------|----------------|-----------------|
| LPA Industries | Yr to Sept 30     | 5.41 (5.22)         | 0.24 (0.55) | 0.31 (0.44)          | 0.8             | 0.8                              | 1.5            | 2.45            |
| Park Food      | 6 mths to Sept 30 | 18.7 (11.5)         | 4.98 (4.74) | 1 (1)                | 1               | 0.833                            | 2.5            | 2.4             |
| PWS            | Yr to Sept 30     | 12.8 (15.5)         | 1.05 (1.42) | 3.3 (0.8)            | 0.1p            | 2.5                              | 0.5            | 4               |

|                   | NAV (p)      | Net earnings (£m) | EPS (p)     | Current dividend (p) | Date of payment | Corresponding dividend | Total for year | Total last year |
|-------------------|--------------|-------------------|-------------|----------------------|-----------------|------------------------|----------------|-----------------|
| Investment Trusts | Yr to Dec 31 | 176.7 (188.5)     | 2.32 (2.48) | 4.13 (4.36)          | 1.5             | 2.5                    | 4.5            | 4.5             |
| Aberforth Smaller | Yr to Dec 31 | 204.7 (184.99)    | 0.16 (0.95) | 0.55 (3.27)          | 2.5             | 1.45                   | 4.5            | 1.45            |

Dividends shown net. Figures in brackets are for corresponding period. \*Enhanced scrip option available. \*Includes loss on disposals totalling £182,000.

## BAA freezes rents for terminals

By Michael Skapinker, Aerospace Correspondent

BAA, the airports group, has frozen rents in its terminals and has pledged not to increase them unless it improves the services to tenants.

The main beneficiaries of the rents freeze will be airlines, handling agents, cargo companies, customs and immigration and the police who rent property in airport terminals.

Restaurants and retail outlets are not affected as their rents are largely turnover related.

BAA said rents would be pegged at 1993 levels and would not be increased until March next year. There will be some rent reductions at Heathrow. The group said the loss of rental income would be £1.5m in the current year.

BAA said it would not increase rents in future unless it met specific performance tar-

gets, including a guarantee that 95 per cent of faults would be rectified in four working hours.

Sir John Egan, chief executive, said the group's current standard was that 80 per cent of faults were fixed within four days.

The group is one of the UK's largest commercial landlords with over 20m sq ft of accommodation. It plans to provide an additional 1.5m sq ft over the next three years.

## PWS tumbles more than £1m into the red

PWS Holdings, the Lloyd's insurance and reinsurance broking group, reported a pre-tax loss of £1.06m for the year to September 30, compared with a profit of £2.42m.

Profits from continuing operations were £1.08m (£2.98m restated); however, expenses of £2.2m were incurred relating to discontinued activities and the reorganisation of the broking offshoots.

Turnover fell from £15.6m to £12.8m, to which acquisitions contributed £22,000.

Losses per share emerged at 3.3p (6.8p earnings). A recommended final dividend of 0.1p (1.5p) gives a total for the year of 0.6p (4p). There is also an enhanced scrip dividend option of shares to the value of 0.24p, plus 0.01p cash.

Lord Pearson of Rannoch, chairman, said he believed the company had a "satisfactory year ahead".



## INTERNATIONAL COMPANIES AND FINANCE

## Further \$241m charge taken by Dow Corning

## Canada to privatise national rail operator

## Liffe paves way for euroyen futures

## British Airways shares fall on postponement of USAir results

## Finnair offering raises FM350m

## Mobil ahead at operating level

## ADVERTISEMENT

# BUILDING SOCIETY INVESTMENT TERMS

| Name of Society                                | Product               | Asset | Asset | Rat   | Rat   | Interest | Minimum   | Access and other details   |
|--|-----------------------|-------|-------|-------|-------|----------|-----------|--|
|  |                       | Est   |       | Share | Share | Rate     | Balance £ |  |
| Alfred & Leicester                             | Special Edition       | 7.50  | 7.50  | 5.82  | 5.82  | Ytd      | Fixed     | 7.26%, 95% 75% 55.50.00 then withd of 10% of tot without pen.<br>Rate variable   |
|  | Bonus 90              | 6.90  | 6.90  | 5.17  | 5.17  | Ytd      | Fixed     | 6.66%, 30% 55.50.00  |
|  | Tenor                 | 6.60  | 6.60  | -     | -     | Ytd      | 10        | Tax free, £5000 max  |
|  | Miles                 | 5.70  | 5.70  | 4.27  | 4.27  | Ytd      | Fixed     | 5.32 £1000, 4% £2500, 7% £5000 instant access  |
|  | Instant Access        | 4.80  | 4.80  | 3.60  | 3.60  | Ytd      | Fixed     | 4.45 £3500, 25% £150.50  |
| Birmingham Midland<br>(0445) 748712            | Reserve High Int      | 6.90  | 6.90  | 4.87  | 4.87  | Ytd      | 50,000    | Instant access above £100k   |
|  | First Class Int       | 6.95  | 6.95  | 5.21  | 5.21  | Ytd      | 200,000   | Instant access on penalty  |
| Brentford & Ripley<br>(0800) 592200            | Special Asset         | -     | 5.15  | 3.86  | -     | Ytd      | 5,000     | 90 days notice   |
|  | Special Asset         | -     | 6.15  | 4.61  | -     | Ytd      | 10,000    | Fixed interest rates   |
|  | Special Asset         | -     | 6.40  | 4.80  | -     | Ytd      | 20,000    | Monthly income available   |
|  | Special Asset         | -     | 6.50  | 4.91  | -     | Ytd      | 40,000    |  |
|  | Special Asset         | -     | 6.80  | 5.14  | -     | Ytd      | 80,000    |  |
| Catholic (071-222 6734/7)                      | Jubilee Bond 2        | 6.92  | 6.92  | 5.19  | 5.19  | Monthly  | 30,000    | 90 Day notice or penalty, £2k + at 6.57% (5% net)  |
| Century (Edinburgh) (031 556 1711)             | "V" Shares            | 7.50  | 7.50  | 5.825 | 5.825 | Annually | 100       | Fixed rate for 95 years  |
|  | Bonus                 | 6.61  | 6.50  | 4.875 | 4.875 | Ytd      | 1         | 90 days notice   |
| Chesham & Gloucester                           | The London Account    | 5.75  | 5.75  | 4.51  | 4.51  | Ytd      | 2,500     | Instant access partial deposit account   |
| (0800 717393)                                  | Set 90 (Fixed Asset)  | 7.25  | 7.25  | 5.41  | 5.41  | Ytd      | 100,000   | Fixed term, £25k + 7.00% £10k + 6.40%  |
| City & Metropolitan                            | Super 60              | 6.70  | 6.70  | 5.82  | 5.82  | A        | 10,000    | 60 days notice for withdrawals. Draw only for 6.05% from £500-£9999  |
| Defford Building Society<br>(Tel 01452 303333) | Deposit Premium Xtra  | -     | 7.35  | 5.51  | -     | Ytd      | 100,000   | Great rates include 8.25% annual gross income payable where no withdrawals occur, then withdrawn up to £5,000 per month        |
|  | Deposit Premium Xtra  | -     | 7.10  | 5.30  | -     | Ytd      | 50,000    | where £10,000 remains. Withdraw interest rates apply to non-pensioned accounts (for example company, club or charity accounts) |
|  | Deposit Premium Xtra  | -     | 6.85  | 5.14  | -     | Ytd      | 25,000    | 5yr term including 1 bonus.  |
|  | Deposit Premium Xtra  | -     | 6.50  | 4.88  | -     | Ytd      | 10,000    | 90 days notice/penalty. Monthly income option also available   |
|  | Deposit TESSA         | 7.80  | 7.80  | -     | -     | Ytd      | 50        | No transfer restrictions or charge on withdrawal   |
|  | Capital Bond          | 7.30  | 7.30  | 5.40  | 5.40  | 30 April | 150,000   | Loyalty bonus 1% rates year 5  |
|  | Tenor                 | 6.60  | 6.60  | -     | -     | 1 Jan    | 1         | No notice, no penalty  |
|  | Solid Asset           | 5.45  | 5.45  | 4.49  | 4.49  | 1 Jan    | 50,000    | Includes an interest bonus of 0.50% p.a. provided no withdrawals   |
|  | Home Gold             | 7.10  | 7.10  | 5.55  | 5.55  | Annually | 100,000+  | Must during previous 12 months period. Fixed rates from £10,000  |
| Leeds Permanent (0535 436111)                  | Leeds Gold            | 6.95  | 6.95  | 5.28  | 5.28  | Monthly  | 100,000   | Interest access on penalty. Fixed interest rates from £25  |
|  | Dynamic Gold          | 5.35  | 5.35  | 4.81  | 4.81  | Annually | 25,000    | Instant access, on penalty on min of £10,000. Withdraw 90 days   |
|  | Solid Gold            | 6.25  | 6.25  | 4.99  | 4.99  | Annually | 50,000    | notice on 90 days less of interest. Fixed interest rates from £500.  |
|  | Solid Gold            | 6.80  | 6.80  | 4.56  | 4.56  | Monthly  | 50,000    | 60 days notice.  |
| Meridian (0282 610202)                         | Robinson 60           | -     | 7.15  | 5.36  | -     | 31 Dec   | 20,000    | No notice, no penalty - under 60 days only   |
|  | Argentan              | -     | 5.25  | 3.94  | -     | 31 Mar   | 25        |  |
| Morecambe (091 252 6674)                       | Home Plus Special     | -     | 5.66  | 4.34  | -     | Annually | 100,000   | Instant access   |
|  | Home Star (Fixed Yld) | -     | 7.10  | 5.35  | -     | Annually | 5,000     | No withdrawals during 12thk term (thereafter withdrawals subject to 90 days notice)  |
|  | Home Star (Fixed Yld) | -     | 6.85  | 5.14  | -     | Monthly  | 5,000     | (or instant access with 90 days loss of interest).   |
| Northern Bank (091 255 7150)                   | Postal 60             | -     | 7.50  | 5.83  | -     | Annually | 100,000+  | Postal account.  |
|  |                       | -     | 7.40  | 5.95  | -     | Annually | 10,000+   | Monthly option   |
|  |                       | -     | 7.25  | 5.64  | -     | Annually | 25,000+   | variable   |
|  |                       | -     | 7.00  | 5.25  | -     | Annually | 10,000+   | Tax £500 95000   |
|  |                       | -     | 6.50  | 4.88  | -     | Annually | 2,000+    | for 60 days  |
| Parsons Channel Islands (046) 822470           | Solid Plus            | 6.65  | 6.65  | -     | -     | Ytd      | 5,000     | Flexibility £1,000,000. 90 days notice or penalty. Monthly option.   |
|  | Instant Bond          | 6.20  | 6.20  | -     | -     | Ytd      | 5,000     | Also holding £1,000,000. Instant access. Monthly option.   |
|  | Gold Bond             | 8.25  | 8.25  | -     | -     | Ytd      | 5,000     | Max £500,000. Monthly option.  |
|  | Super Six Account     | 7.30  | 7.30  | -     | -     | Ytd      | Fixed     | Includes 0.25% bonus for no withdrawals  |
|  | Sovereign Shares      | 5.25  | 5.25  | 3.75  | 3.75  | Ytd      | £50,000   | Instant Access.  |
|  | High Street           | 6.10  | 6.10  | 4.98  | 4.98  | Ytd      | 2,000     | Instant access, operated through branches from 25.07.94.   |
|  | Young Sovereign       | 8.50  | 8.50  | 6.38  | 6.38  | Ytd      | 25        | Monthly 10p Yld includes 2% Bonus p.a. for no withdrawals.   |
| Woodhale (0800 400 900)                        | Current Account       | 5.30  | 5.30  | 3.90  | 3.90  | Ytd      | 50,000    | Instant Access. Rates  |
|  |                       | 5.15  | 5.15  | 3.80  | 3.80  | Ytd      | 25,000    | variable.  |
|  |                       | 4.70  | 4.70  | 3.53  | 3.53  | Ytd      | 10,000    | Authorised overdraft rate  |
|  |                       | 3.70  | 3.70  | 2.78  | 2.78  | Ytd      | 500       | of 9.5% APR. Subject to  |
|  |                       | 1.15  | 1.15  | 0.86  | 0.86  | Ytd      | 1         | status and min. age 18.  |
|  |                       | 6.85  | 6.85  | -     | -     | Ytd      | 100       | 90 days notice to transfer   |
| Yorkshire (0800 378806)                        | Tenor Premier         | 6.70  | 6.70  | 5.83  | 5.83  | Ytd      | 100,000   | Minimum opening balance £2000  |
|  | 1st Class Access      | 6.45  | 6.45  | 4.94  | 4.94  | Ytd      | 50,000    | Instant partial access   |
|  | 1st Class Access      | 6.25  | 6.25  | 4.61  | 4.61  | Ytd      | 25,000    | Link ATM card for access 24hrs   |
|  | 1st Class Access      | 6.05  | 6.05  | 4.54  | 4.54  | Ytd      | 10,000    |  |
|  | 1st Class Access      | 5.95  | 5.95  | 4.46  | 4.46  | Ytd      | 2,000     |  |
|  | 1st Class Access      | 1.65  | 1.65  | 1.24  | 1.24  | Ytd      | 25        |  |

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## THE CITY INSIDE OUT



COMMODITIES AND AGRICULTURE

WEEK IN THE MARKETS

Metals bull run continues

Most London Metal Exchange markets finished near long-time highs yesterday, after a much-needed pause for breath in early afternoon.

The upward had continued first thing, with fresh highs being reached by copper (5% year), lead (4% year), zinc (2% year) and nickel (4% year). Bouts of profit-taking then trimmed prices but buyers returned late in the day and all contracts ended with substantial gains on the week.

The LME's flagship copper contract finished after hours "kern" trading at \$3,060 a tonne for the three months delivery position, \$15 below the

week of speculative buying. Three months aluminium, which had dipped to \$2,125 a tonne at one point, climbed during the session to a 5% year peak of \$2,189 before ending at \$2,167, up \$100 on the week.

The lead market was particularly strong, the three months position gaining \$18.25 to \$709 a tonne, up \$34 on the week. The move, which peaked at \$713, was encouraged by a tenth successive fall in LME stocks.

Lower stocks also underpinned the nickel market's continuing rise and helped it to consolidate above the \$10,000-a-tonne mark.

The gold rally got back into its stride on Tuesday, following setbacks on the previous two trading days. By last night's close the London price had reached \$384.10 a troy ounce, up \$4.90 on the week and \$12.30 above the 8 1/2-month low reached at the beginning of last week.

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The upward weakness had been helping to underpin the rise but traders were concerned about the possibility of a US interest rate rise later this month. Nevertheless, some suggested an attempt to break overhead resistance at \$385 an ounce could be made early next week.

At the London Commodity Exchange coffee futures put in a late start, spurred by strong gains in early New York trading. The March delivery position closed at \$2,965 a tonne, up \$100 on the day and \$181 on the week. A Colombian announcement that it would limit coffee exports to 780,000 bags (60kg each) a month in February and March contributed to the bullish tone, traders told Reuters.

A statement by the Association of Coffee Producers of Central America backing the Central American export retention scheme did not impress, "It's all words and no action," said one trader. "So many questions remain unanswered where Brazil is concerned. Will they take the statement with action? How much coffee will they retain? Will they hold more auctions?"

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Aluminium's LME stocks total continued to plunge, meanwhile, a 29,550-tonne fall yesterday taking the draw-down over the week to 42,475 tonnes, equivalent to 2.5 per cent of the total.

Yesterday's brief shake-out cleared the way for a fresh

LME WAREHOUSE STOCKS (tonnes)

|                 | 20/01/95 | 19/01/95  |
|-----------------|----------|-----------|
| Aluminium       | 29,550   | 1,827,855 |
| Aluminium alloy | 980      | 30,380    |
| Copper          | 1,200    | 212,575   |
| Lead            | 1,100    | 352,825   |
| Nickel          | 1,410    | 1,145,150 |
| Zinc            | 4,425    | 1,160,550 |
| Tin             | 155      | 27,335    |

high but \$36.50 up on the week. Traders saw yesterday afternoon's setback as a timely consolidation and many thought speculators were marshalling for an assault on the \$3,100 barrier. If that succeeded, they told the Reuters news agency, a further chase towards the all-time peak of \$3,280 a tonne might ensue.

LME warehouse stocks of copper resumed the long-term downward trend with the announcement of a 1,500-tonne fall yesterday, and traders expected a deficit in the first half of this year to eat further into global reserves of the metal.

Aluminium's LME stocks total continued to plunge, meanwhile, a 29,550-tonne fall yesterday taking the draw-down over the week to 42,475 tonnes, equivalent to 2.5 per cent of the total.

Yesterday's brief shake-out cleared the way for a fresh

WEEKLY PRICE CHANGES

|                        | Latest price | Change on week | Year ago    | 1994-5      |
|------------------------|--------------|----------------|-------------|-------------|
| Gold per troy oz.      | \$384.10     | +4.90          | \$385.25    | \$386.50    |
| Silver per troy oz.    | \$306.75     | +1.75          | \$344.80    | \$345.50    |
| Aluminium 99.7% (cash) | \$2,167.00   | +10.00         | \$2,125.00  | \$2,189.00  |
| Copper Grade A (cash)  | \$3,060.00   | +15.00         | \$3,045.00  | \$3,060.00  |
| Lead (cash)            | \$2,167.00   | +10.00         | \$2,125.00  | \$2,189.00  |
| Nickel (cash)          | \$10,150.00  | +100.00        | \$10,050.00 | \$10,150.00 |
| Zinc 99.95% (cash)     | \$2,167.00   | +10.00         | \$2,125.00  | \$2,189.00  |
| Tin (cash)             | \$2,733.50   | +10.00         | \$2,723.50  | \$2,733.50  |
| Cocoa Futures Mar      | \$1,005.00   | +1.00          | \$1,010.00  | \$1,010.00  |
| Coffee Futures Mar     | \$2,965.00   | +10.00         | \$2,865.00  | \$2,965.00  |
| Sugar 11/14/95 Mar     | \$11.00      | +0.05          | \$11.00     | \$11.00     |
| Barley Futures Mar     | \$108.10     | +1.15          | \$108.55    | \$108.55    |
| Wheat Futures Mar      | \$108.10     | +1.15          | \$108.55    | \$108.55    |
| Cotton Outlook A Index | 97.50        | +0.05          | 97.50       | 97.50       |
| West Nile Super        | 50.00        | +0.05          | 50.00       | 50.00       |
| Oil Brent Blend        | \$16.82      | +0.72          | \$16.10     | \$17.16     |

Per tonne unless otherwise stated. P. Premium, C. Cent, B. 2 Mar

BASE METALS

LONDON METAL EXCHANGE

(Prices from International Metal Trading)

■ ALUMINIUM, 99.7% (per tonne)

|                      | Cash            | 3 mths          |
|----------------------|-----------------|-----------------|
| Close                | 2167.00         | 2148.40         |
| Previous             | 2162.50         | 2140.10         |
| High/Low             | 2169.25/2162.50 | 2169.25/2162.50 |
| AM Official          | 2165.50         | 2142.30         |
| AM Official          | 2165.50         | 2142.30         |
| Open Int.            | 234,347         | 2169.90         |
| Total daily turnover | 50,275          |                 |

■ ALUMINIUM ALLOY (per tonne)

|                      | Cash            | 3 mths          |
|----------------------|-----------------|-----------------|
| Close                | 1890.00         | 2020.00         |
| Previous             | 1875.00         | 2020.00         |
| High/Low             | 1895.00/1875.00 | 2020.00/2020.00 |
| AM Official          | 1895.00         | 2020.00         |
| AM Official          | 1895.00         | 2020.00         |
| Open Int.            | 2,890           | 2015.00         |
| Total daily turnover | 523             | 2015.00         |

■ LEAD (per tonne)

|                      | Cash            | 3 mths          |
|----------------------|-----------------|-----------------|
| Close                | 2167.00         | 2148.40         |
| Previous             | 2162.50         | 2140.10         |
| High/Low             | 2169.25/2162.50 | 2169.25/2162.50 |
| AM Official          | 2165.50         | 2142.30         |
| AM Official          | 2165.50         | 2142.30         |
| Open Int.            | 234,347         | 2169.90         |
| Total daily turnover | 50,275          |                 |

■ COPPER (per tonne)

|                      | Cash            | 3 mths          |
|----------------------|-----------------|-----------------|
| Close                | 3060.00         | 3045.00         |
| Previous             | 3055.00         | 3045.00         |
| High/Low             | 3065.00/3055.00 | 3045.00/3045.00 |
| AM Official          | 3060.00         | 3045.00         |
| AM Official          | 3060.00         | 3045.00         |
| Open Int.            | 37,405          | 3045.00         |
| Total daily turnover | 10,550          | 3045.00         |

■ NICKEL (per tonne)

|                      | Cash              | 3 mths            |
|----------------------|-------------------|-------------------|
| Close                | 10150.00          | 10100.00          |
| Previous             | 10100.00          | 10025.00          |
| High/Low             | 10150.00/10100.00 | 10025.00/10025.00 |
| AM Official          | 10150.00          | 10025.00          |
| AM Official          | 10150.00          | 10025.00          |
| Open Int.            | 59,407            | 10150.00          |
| Total daily turnover | 15,840            | 10150.00          |

■ TIN (per tonne)

|                      | Cash            | 3 mths          |
|----------------------|-----------------|-----------------|
| Close                | 2733.50         | 2733.50         |
| Previous             | 2733.50         | 2733.50         |
| High/Low             | 2733.50/2733.50 | 2733.50/2733.50 |
| AM Official          | 2733.50         | 2733.50         |
| AM Official          | 2733.50         | 2733.50         |
| Open Int.            | 2,890           | 2015.00         |
| Total daily turnover | 523             | 2015.00         |

■ ZINC (per tonne)

|                      | Cash            | 3 mths          |
|----------------------|-----------------|-----------------|
| Close                | 2167.00         | 2148.40         |
| Previous             | 2162.50         | 2140.10         |
| High/Low             | 2169.25/2162.50 | 2169.25/2162.50 |
| AM Official          | 2165.50         | 2142.30         |
| AM Official          | 2165.50         | 2142.30         |
| Open Int.            | 234,347         | 2169.90         |
| Total daily turnover | 50,275          |                 |

■ ZINC, special high grade (per tonne)

|                      | Cash            | 3 mths          |
|----------------------|-----------------|-----------------|
| Close                | 1200.10         | 1226.70         |
| Previous             | 1200.00         | 1226.70         |
| High/Low             | 1200.10/1200.00 | 1226.70/1226.70 |
| AM Official          | 1200.10         | 1226.70         |
| AM Official          | 1200.10         | 1226.70         |
| Open Int.            | 98,855          | 1226.70         |
| Total daily turnover | 15,840          | 1226.70         |

■ COPPER, grade A (per tonne)

|                      | Cash            | 3 mths          |
|----------------------|-----------------|-----------------|
| Close                | 3060.00         | 3045.00         |
| Previous             | 3055.00         | 3045.00         |
| High/Low             | 3065.00/3055.00 | 3045.00/3045.00 |
| AM Official          | 3060.00         | 3045.00         |
| AM Official          | 3060.00         | 3045.00         |
| Open Int.            | 37,405          | 3045.00         |
| Total daily turnover | 10,550          | 3045.00         |

■ LME ALUMINIUM 99.7% (per tonne)

|                      | Cash            | 3 mths          |
|----------------------|-----------------|-----------------|
| Close                | 2167.00         | 2148.40         |
| Previous             | 2162.50         | 2140.10         |
| High/Low             | 2169.25/2162.50 | 2169.25/2162.50 |
| AM Official          | 2165.50         | 2142.30         |
| AM Official          | 2165.50         | 2142.30         |
| Open Int.            | 234,347         | 2169.90         |
| Total daily turnover | 50,275          |                 |

■ LME ALUMINIUM ALLOY (per tonne)

|                      | Cash            | 3 mths          |
|----------------------|-----------------|-----------------|
| Close                | 1890.00         | 2020.00         |
| Previous             | 1875.00         | 2020.00         |
| High/Low             | 1895.00/1875.00 | 2020.00/2020.00 |
| AM Official          | 1895.00         | 2020.00         |
| AM Official          | 1895.00         | 2020.00         |
| Open Int.            | 2,890           | 2015.00         |
| Total daily turnover | 523             | 2015.00         |

■ LME LEAD (per tonne)

|                      | Cash            | 3 mths          |
|----------------------|-----------------|-----------------|
| Close                | 2167.00         | 2148.40         |
| Previous             | 2162.50         | 2140.10         |
| High/Low             | 2169.25/2162.50 | 2169.25/2162.50 |
| AM Official          | 2165.50         | 2142.30         |
| AM Official          | 2165.50         | 2142.30         |
| Open Int.            | 234,347         | 2169.90         |
| Total daily turnover | 50,275          |                 |

■ LME NICKEL (per tonne)

|                      | Cash              | 3 mths            |
|----------------------|-------------------|-------------------|
| Close                | 10150.00          | 10100.00          |
| Previous             | 10100.00          | 10025.00          |
| High/Low             | 10150.00/10100.00 | 10025.00/10025.00 |
| AM Official          | 10150.00          | 10025.00          |
| AM Official          | 10150.00          | 10025.00          |
| Open Int.            | 59,407            | 10150.00          |
| Total daily turnover | 15,840            | 10150.00          |

■ LME TIN (per tonne)

|                      | Cash            | 3 mths          |
|----------------------|-----------------|-----------------|
| Close                | 2733.50         | 2733.50         |
| Previous             | 2733.50         | 2733.50         |
| High/Low             | 2733.50/2733.50 | 2733.50/2733.50 |
| AM Official          | 2733.50         | 2733.50         |
| AM Official          | 2733.50         | 2733.50         |
| Open Int.            | 2,890           | 2015.00         |
| Total daily turnover | 523             | 2015.00         |

■ LME ZINC (per tonne)

|                      | Cash            | 3 mths          |
|----------------------|-----------------|-----------------|
| Close                | 2167.00         | 2148.40         |
| Previous             | 2162.50         | 2140.10         |
| High/Low             | 2169.25/2162.50 | 2169.25/2162.50 |
| AM Official          | 2165.50         | 2142.30         |
| AM Official          | 2165.50         | 2142.30         |
| Open Int.            | 234,347         | 2169.90         |
| Total daily turnover | 50,275          |                 |

■ LME ZINC, special high grade (per tonne)

|                      | Cash            | 3 mths          |
|----------------------|-----------------|-----------------|
| Close                | 1200.10         | 1226.70         |
| Previous             | 1200.00         | 1226.70         |
| High/Low             | 1200.10/1200.00 | 1226.70/1226.70 |
| AM Official          | 1200.10         | 1226.70         |
| AM Official          | 1200.10         | 1226.70         |
| Open Int.            | 98,855          | 1226.70         |
| Total daily turnover | 15,840          | 1226.70         |

■ LME COPPER, grade A (per tonne)

|                      | Cash            | 3 mths          |
|----------------------|-----------------|-----------------|
| Close                | 3060.00         | 3045.00         |
| Previous             | 3055.00         | 3045.00         |
| High/Low             | 3065.00/3055.00 | 3045.00/3045.00 |
| AM Official          | 3060.00         | 3045.00         |
| AM Official          | 3060.00         | 3045.00         |
| Open Int.            | 37,405          | 3045.00         |
| Total daily turnover | 10,550          | 3045.00         |

■ LME COCAOA (per tonne)

|                      | Cash            | 3 mths          |
|----------------------|-----------------|-----------------|
| Close                | 1005.00         | 1010.00         |
| Previous             | 1005.00         | 1010.00         |
| High/Low             | 1005.00/1005.00 | 1010.00/1010.00 |
| AM Official          | 1005.00         | 1010.00         |
| AM Official          | 1005.00         | 1010.00         |
| Open Int.            | 2,890           | 2015.00         |
| Total daily turnover | 523             | 2015.00         |

■ LME COFFEE (per tonne)

|                      | Cash            | 3 mths          |
|----------------------|-----------------|-----------------|
| Close                | 2965.00         | 2865.00         |
| Previous             | 2965.00         | 2865.00         |
| High/Low             | 2965.00/2965.00 | 2865.00/2865.00 |
| AM Official          | 2965.00         | 2865.00         |
| AM Official          | 2965.00         | 2865.00         |
| Open Int.            | 37,405          | 3045.00         |
| Total daily turnover | 10,550          | 3045.00         |

■ LME SUGAR (per tonne)

|                      | Cash        | 3 mths      |
|----------------------|-------------|-------------|
| Close                | 11.00       | 11.00       |
| Previous             | 11.00       | 11.00       |
| High/Low             | 11.00/11.00 | 11.00/11.00 |
| AM Official          | 11.00       | 11.00       |
| AM Official          | 11.00       | 11.00       |
| Open Int.            | 2,890       | 2015.00     |
| Total daily turnover | 523         | 2015.00     |

■ LME BARLEY (per tonne)

|                      | Cash          | 3 mths        |
|----------------------|---------------|---------------|
| Close                | 108.10        | 108.55        |
| Previous             | 108.10        | 108.55        |
| High/Low             | 108.10/108.10 | 108.55/108.55 |
| AM Official          | 108.10        | 108.55        |
| AM Official          | 108.10        | 108.55        |
| Open Int.            | 2,890         | 2015.00       |
| Total daily turnover | 523           | 2015.00       |

■ LME WHEAT (per tonne)

|                      | Cash          | 3 mths        |
|----------------------|---------------|---------------|
| Close                | 108.10        | 108.55        |
| Previous             | 108.10        | 108.55        |
| High/Low             | 108.10/108.10 | 108.55/108.55 |
| AM Official          | 108.10        | 108.55        |
| AM Official          | 108.10        | 108.55        |
| Open Int.            | 2,890         | 2015.00       |
| Total daily turnover | 523           | 2015.00       |

■ LME COTTON (per tonne)

|                      | Cash        | 3 mths      |
|----------------------|-------------|-------------|
| Close                | 97.50       | 97.50       |
| Previous             | 97.50       | 97.50       |
| High/Low             | 97.50/97.50 | 97.50/97.50 |
| AM Official          | 97.50       | 97.50       |
| AM Official          | 97.50       | 97.50       |
| Open Int.            | 2,890       | 2015.00     |
| Total daily turnover | 523         | 2015.00     |

■ LME WEST NILE SUPER (per tonne)

|                      | Cash        | 3 mths      |
|----------------------|-------------|-------------|
| Close                | 50.00       | 50.00       |
| Previous             | 50.00       | 50.00       |
| High/Low             | 50.00/50.00 | 50.00/50.00 |
| AM Official          | 50.00       | 50.00       |
| AM Official          | 50.00       | 50.00       |
| Open Int.            | 2,890       | 2015.00     |
| Total daily turnover | 523         | 2015.00     |

■ LME OIL BENT BLEND (per tonne)

|                      | Cash        | 3 mths      |
|----------------------|-------------|-------------|
| Close                | 16.82       | 16.10       |
| Previous             | 16.82       | 16.10       |
| High/Low             | 16.82/16.82 | 16.10/16.10 |
| AM Official          | 16.82       | 16.10       |
| AM Official          | 16.82       | 16.10       |
| Open Int.            | 2,890       | 2015.00     |
| Total daily turnover | 523         | 2015.00     |

■ LME NEW ZEALAND (per tonne)

|                      | Cash        | 3 mths      |
|----------------------|-------------|-------------|
| Close                | 39.70       | 39.70       |
| Previous             | 39.70       | 39.70       |
| High/Low             | 39.70/39.70 | 39.70/39.70 |
| AM Official          | 39.70       | 39.70       |
| AM Official          | 39.70       | 39.70       |
| Open Int.            | 2,890       | 2015.00     |
| Total daily turnover | 523         | 2015.00     |

■ LME NEW ZEALAND (per tonne)

|          | Cash        | 3 mths      |
|----------|-------------|-------------|
| Close    | 39.70       | 39.70       |
| Previous | 39.70       | 39.70       |
| High/Low | 39.70/39.70 | 39.70/39.70 |



## FINANCIAL TIMES

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Weekend January 21/January 22 1995

## Watching the US dollar

Federal Reserve chairman Alan Greenspan warned in a recent letter to Congress that a "moderate and timely firming in credit is essential". Another rise in short-term interest rates should help slow the US economy before inflationary pressures become out of hand. What is less clear, in the wake of recent events, is whether this would also strengthen the dollar.

Although the recent data on the US economy have been a little mixed, it is hard to detect signs of a generalised slow-down. The old-fashioned fundamentals, such as industrial production and jobs, are still performing considerably better than their historic trend, oblivious, it seems, to the six interest rate increases deployed by the Federal Reserve last year to slow things down.

Industrial output grew by 1 per cent in December, its highest leap in over two years, while capacity utilisation was measured at 85.4 per cent, the highest since 1979. The same batch of data showed that, overall, production rose at an annualised rate of 5.4 per cent in the fourth quarter as a whole. Meanwhile, the number of jobs in the economy grew at an annualised rate of 3 per cent, on average, over the last quarter of 1994, twice the historical trend rate.

All this seems to add up to real GDP growth of at least 4 per cent in the fourth quarter, much the same as during the rest of 1994. True, consumers did not celebrate with a pre-Christmas spending spree. This week's retail sales report found that sales growth was essentially flat in November and December, up 0.2 per cent, and down 0.1 per cent, respectively. But electronics and furniture discounts are thriving: a sign of consumer canniness that is coming to characterise this recovery worldwide. Sales at durable goods outlets grew at a 21 per cent annualised rate in the fourth quarter as a whole.

## Price increases

The economy is likely to slow down somewhat over the coming year or two, as last year's interest rate increases work their way through the economy. Yet the Federal Reserve's "Beige Book" reported relatively widespread price increases, and new evidence of rising inflationary expectations among consumers and businesses alike. It seems rather likely that Mr Greenspan will feel it "timely" to raise the interest rate on federal funds - now 5 1/4 per cent - at the next meeting of the Federal Reserve's policymaking committee on February 1.

Many in Congress have probably taken Mr Greenspan's considerations as a warning of this event as

an opportunity to prepare their speeches of condemnation. It is, after all, only two months since Mr Greenspan's three-quarters of a percentage point increase in rates in November. Yet investors might have been expected to take it as the occasion to bet on the long-awaited upturn in the dollar.

Comparative interest rate differentials would certainly point in that direction. Another increase from the Federal Reserve would add to the nearly one percentage point gap between US and German three-month interest rates, and nearly 4 percentage point differential with Japanese rates.

## Difficult scenario

There are several difficulties with this scenario. The first is that improving short-term differentials did little to support the greenback last year. A year ago, German three-month rates were nearly 3 percentage points above US ones, while Japanese rates were only around 1 per cent lower. Yet a dollar could then buy 13 per cent more D-Marks, and 11 per cent more yen, than today.

The dollar recovered somewhat in the latter months of last year, but over a third of the gain since October has already been reversed in the wake of the Mexican devaluation crisis. The dollar briefly hit a low of DM1.507 yesterday. In the short run, fears about the effect of Mexico's problems are understandable, since exports to Latin America accounted for about a third of US exports in 1994. But the currency's weakness last year was often blamed on large-scale capital outflows to emerging markets. A growing disenchantment with these high-yield, high-risk locations might be expected to benefit the dollar, if not the economy as a whole.

The solution to the puzzle may be that the dollar's weakness last year - and chances of a sharp upturn in 1995 - have less to do with an outflow of footloose long-term capital than with pitiful US saving rates. Thursday's trade data showed a US trade deficit of \$10.5bn in November. That means the country is heading for a current account deficit of well over \$150bn for 1994. Next year the deficit may even exceed \$180bn, or 2.5 per cent of GDP.

Global competition for capital is now extremely fierce. The US may offer high GDP growth and interest rates, relative to its trading partners. But improving prospects in Europe are likely to see that edge blunted. Add a roughly 2 per cent net rate of saving to plans to cut taxes further, and one might wonder why foreigners would buy \$180bn worth of dollar assets at the current price, let alone a higher one.

For Britain's economic policymakers, this month is marking the transition from an *annus mirabilis* to a year of living dangerously.

At the end of 1994, Mr Kenneth Clarke, the chancellor, and Mr Eddie George, governor of the Bank of England, could look back on a remarkable 12 months of unexpected successes. Growth, estimated at about 4 per cent, had been about 1 1/2 percentage points faster than forecast by the Treasury in late 1993. Inflation, consistently below 3 per cent on both the underlying and headline retail price measures, was below expectations.

Unemployment, which Mr Clarke said last May "must be the main preoccupation of economic policymakers in the 1990s", fell sharply, by more than 350,000. Although there are still 2.4m unemployed claiming benefit, the percentage of the labour force without work is, at 8.6 per cent, the lowest for 34 years. As has recovery been accompanied by the customary deterioration in the UK balance of payments. The current account, which tallies trade in goods and services and transfers, should end 1994 with a deficit of less than half the 29 1/2bn forecast in late 1993. There was even a surplus in the third quarter of last year.

So much for the good news. A flurry of economic indicators over the past fortnight has sprung some less pleasant surprises that suggest 1995 will be a more difficult year.

The first was news of a slowdown in the growth of industrial production: manufacturing output fell 0.7 per cent during November, bringing the annual trend rate of growth down sharply to about 0.5 per cent from 5 per cent in September.

This week brought the report of a higher than expected jump in December's retail prices. All three key measures: the 0.5 per cent month-on-month rise in the retail prices index, its 2.9 per cent increase in December compared with the year before, and the 2.5 per cent rise in underlying inflation in the year to December were above market and Treasury expectations. December also produced a large 54,600 fall in seasonally adjusted unemployment, the seventh biggest monthly drop since records began, and a robust year-on-year rise of 3.3 per cent in seasonally adjusted retail sales volumes.

At first glance, such figures might prompt fears that the UK was starting back down the path to the sluggish growth, excessive consumption and high inflation that has so often bedevilled its economy over the past half century.

But the traditional caveat about not relying on one month's figures

applies with more than usual force around Christmas. The retail sales statistics, proclaiming a seasonally adjusted 0.5 per cent volume increase between November and December, are the outcome of extensive interpretation. In value terms, and on an unadjusted basis, sales rose nearly a quarter between November and December. The jump in the retail prices index may have reflected attempts by shopkeepers to push up margins ahead of Christmas that may yet be reversed.

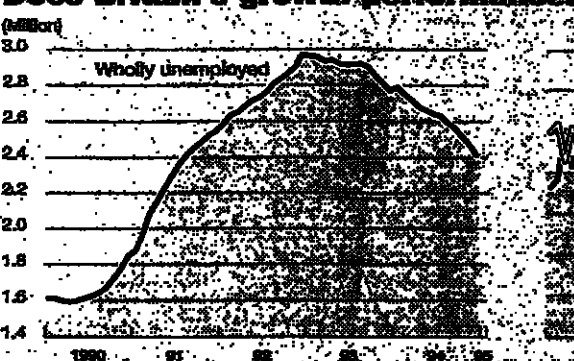
There are also encouraging economic data. Average earnings, for example, have shown no sign of accelerating. November was the sixth month in a row in which the underlying year-on-year increase stayed at 5% per cent. Productivity growth has been strong both in manufacturing and the economy as a whole. As a result, unit labour costs have been subdued: manufacturing wages and salaries per unit of output were 1.3 per cent lower in the three months to the end of

November compared with same period of 1993, while third-quarter unit wage and salary costs for the whole economy were unchanged compared with the year before. Such figures have reinforced Britain's international competitiveness. This week's quarterly business survey from the British Chambers of Commerce (BCC) found that export orders for UK manufacturers were growing more strongly than at any time since the survey began in 1965. The service sector, it said, was

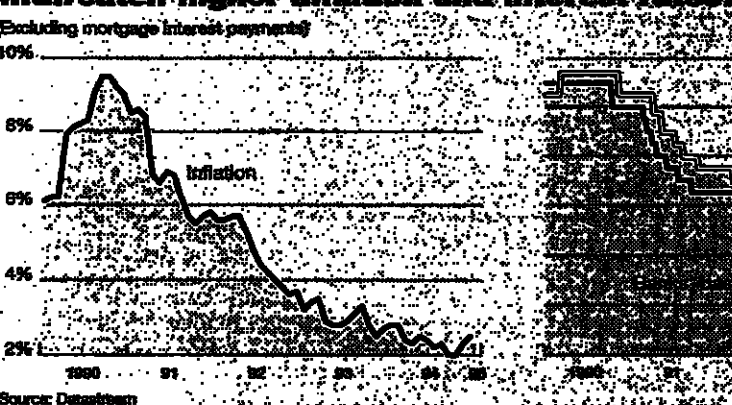
Peter Norman says that the outlook for the UK economy in 1995 is murky following this week's news

## All aboard for a bumpy ride

## Does Britain's growth performance...



## ...threaten higher inflation and interest rates?



Source: Datastream

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rapidly catching up with manufacturers in export markets.

But at the same time, the chambers detected signs of slower demand growth at home, a levelling out of investment intentions, little inclination on the part of businesses to hire more staff and a slight waning of confidence in the growth of future profits and sales.

Britain has a split economy. Exporters, says Mr Richard Brown, the BCC's deputy director general, "have never been stronger".

Business conditions are far more difficult for companies serving only the home market. Moderate wage increases have translated into subdued domestic demand. The housing market, crucial to many companies, stays depressed. Raw material costs have been rising sharply and the interest rate cycle has turned upwards, as evidenced by the two 0.5 percentage point increases in bank base rates to 6.25 per cent in the final quarter of last year.

Mr Brown, whose organisation includes many small companies, is concerned that many are suffering a continuing profits squeeze. "I would not be surprised to see a rise in insolvencies among small firms later this year," he says. Mr Clarke and Mr George have created an economic recovery that wins plaudits from City gurus and academic economists, but feels far from satisfying for most exporters. Moreover, with financial markets hypersensitive to any backsliding in counter-inflationary zeal, they have embarked on a course from which it is extremely difficult to retreat.

December's jump in underlying inflation to the top end of the 1 to 2% per cent range set by the government as its target for the end of this parliament has quickened market expectations of a further interest rate rise next month. This week, both the chancellor and governor sought to dampen such speculation.

But it is easy to see how conflict between maintaining growth and hitting the inflation target could become more acute as this year progresses, and the election that must be held by spring 1997 comes closer into view.

Mr George this week described UK monetary policy "as a stitch in time to save nine", indicating his hope that base rates will not have to rise as high as the 9 per cent currently indicated by financial markets as the peak in the years ahead.

The governor wanted his words to reassure. But any rate rise to near 9 per cent would disturb many borrowers, and doubtless the chancellor too.

Recent mortgage rate rises will depress an already gloomy market, says Alison Smith

## House of horrors

Mr Graham MacDonald, an estate agent in Oxford, is unperturbed by the rise in mortgage interest rates announced on Thursday by Halifax building society, the UK's largest mortgage lender.

The 0.25 percentage point increase took the standard variable home loan rate charged to borrowers by Halifax to 8.35 per cent, sparking a fresh round of rate rises from other lenders.

Mr MacDonald, of Allen & Harris, points out that no first-time buyer has to pay the standard mortgage rate, since most lenders have special interest rates to attract new borrowers. The higher rates are paid by existing homeowners.

"It's a very small increase and also comes from a very low level," says Mr Rob Thomas, housing analyst at stockbrokers UBS. "Rates are still lower than they were a couple of years ago."

It is, however, unlikely to encourage a return of confidence to the housing market.

"Confidence was already pretty low," says Mr Adrian Coles, director-general of the Council of Mortgage Lenders (CML), which predicts rises in house prices of just 2 per cent for 1995. "The view that rates are now rising will make it more difficult for the market to recover."

The lenders believe that the gov-

ernment has added to the housing gloom with its plans to curtail state-funded mortgage help for people receiving social security benefits. From October this year, new claimants will get no help with their mortgage interest payments for two months, while people who take out a home loan after October and then become claimants will get no help for nine months.

Lenders are already saying they will be more cautious about taking on new business. Prospective buyers may be deterred by having to pay for insurance to protect their mortgage payments.

However, competition for new

borrowers remains fierce. Banks and building societies that now offer help with removal costs, legal fees and other expenses are likely to start offering free payment protection insurance to new customers.

For Mr MacDonald in Oxford, the problem with the housing market is neither this week's interest rate rise nor the social security changes. It is prospective sellers' reluctance to put their houses up for sale, and prospective buyers' reluctance to pay the prices being asked.

Too many owners have vivid memories of the mid-1980s when house prices soared, and property

could be at least as much an investment as a home, says Mr MacDonald. It takes time for people to adjust to a new environment in which a home is unlikely to produce great capital gains.

"I was talking to a prospective buyer, trying to squeeze another £1,000 out of him, and he said he had to think about the investment angle," he says. "I said to him that in that case he was talking to the wrong person - as an estate agent I was dealing with people buying homes to live in."

"He said 'That's right. I am buying somewhere to live.' With that realisation, the buyer offered the extra money. Until homeowners in general come to the same conclusion, the market looks likely to remain in the doldrums."

## City maverick's dream deal

It is a measure of John Ritblat's reputation that the UK property market is full of people with a healthy respect for his negotiating skills.

One leading international business figure - with a considerable reputation for shrewdness - remarked: "I had John Ritblat here the other day wanting to do a deal with us, but I'm not sure. He's too clever for me."

Ritblat's reputation as one of the cleverest and toughest negotiators in the business will be enhanced by his successful acquisition this week of Stanhope, which holds 50 per cent of Broadgate Properties, the holding company for much of the prestigious City of London office development.

British Land, the company he has run for 25 years, snatched Stanhope from under the nose of PwC/Tel, the UK's largest pension fund, by promising a quick and simple solution. Ritblat had earlier persuaded Stanhope's banks not to send the company into receivership, which would have put it out of reach.

Stuart Lipkin, Stanhope's founder and chief executive, pays tribute to Ritblat's role in saving his company from an ignominious end: "Without his intervention just before Christmas it would not have been possible to do a deal with the banks. We would have sunk."

Ritblat plays down the significance of the Stanhope acquisition, pointing out that, at £135m, the cost is not large in relation to British Land's £2.5bn assets.

But Stanhope, through its share in Broadgate Properties, holds the key to a much larger prize. Broadgate is widely regarded as the City's most successful office development since the second world war. From the mid-1980s it succeeded in attracting more than 20,000 workers to a district previously regarded as a backwater.

If Ritblat can now lever the other half of Broadgate Properties out of the hands of the receiver to Rosehaugh, Stanhope's former development partner, British Land will

Simon London profiles John Ritblat, the man who pulled off an audacious UK property deal

have full control over £1bn of prime City buildings.

Such a deal would push the company closer to a place in the FTSE 100 Index. In terms of market value, it is already close to catching companies such as MEPC which have traditionally been seen as part of the property establishment.

Ritblat's achievement is all the more remarkable because British Land has often been regarded as too unpredictable by instinctively cautious fund managers.

His obvious ambition and often abrasive, if entertaining, manner are partly the reason for this.

Edward Erdman, the property agent who gave him his first job, has written that he was initially reluctant to employ the young man, thinking "he would be far too ambitious to settle down patiently to the disciplines and rigours of a professional career".

Erdman's gut instinct proved correct. In 1969, at the age of 24, Ritblat set up his own property agency with Neville Conrad, whom he had met while working with Erdman. However, the estate agency business was too small to contain his ambitions. He and Conrad reversed the business into a small property company called Union Properties, which in turn acquired British Land in 1970.

The near demise of British Land in the 1973 property crash lives in the memories of venerable fund managers. The combination of falling property values and rising interest rates pushed British Land into loss. In September 1974, the shares dove to just 4p and British Land looked sure to fail.

It is a measure of the damage done in this period that the company did not pay another dividend until 1980. At the low point, the company was down to its last



28m banking facilities.

Ritblat used all his doggedness and nerve to save British Land. At one point he threatened to issue a writ against Mercantile Credit, the finance house that had agreed to lend British Land £10m but was also in difficulty. The Bank of England - anxious to avoid a public row at a time when the banking system was under pressure - persuaded Barclays to lend the money instead.

In September 1974, he made a famous speech to the company's annual general meeting, telling the assembled shareholders that "none of us are going to be living in tents".

Ritblat's determination to nurse British Land back to financial

health also led to some unconventional deals. In the late 1970s and early 1980s he bought and sold businesses such as Dorothy Perkins, the ladies fashion chain, because Ritblat could see an opportunity to make a profit. At times the group resembled a general trading company more than a property investor.

Even if these adventures should now be consigned to history, what Ritblat regards as initiative and innovation is sometimes viewed by outsiders with incomprehension. His imaginative plan, hatched near the peak of the property market in 1980, to liquidate most of British Land's assets and return the funds to shareholders, is a case in point.

With the benefit of hindsight, the idea made sound financial sense. But it was rejected by shareholders, partly because the Ritblat family could have ended up owning up to 30 per cent of a relaunched, smaller New British Land.

The appointment of his sons, Nicholas and James, to senior management positions has also raised eyebrows in recent years, although Nick, appointed a main board director four years ago at 29, is widely regarded in the City as able and personable.

Despite its size and obvious success, British Land has never been clasped to the bosom of the property establishment. It is a company apart, led by a man who has often seemed a renegade compared to the more conservative managers of other big property companies.

If Ritblat can complete the acquisition of Broadgate and, perhaps, propel British Land to a place among the top 100 UK companies, this may have to change.

His central argument for New British Land was that the old company had become too large and unwieldy for management to exercise much entrepreneurial flair. While the takeover of Stanhope proves this to be anything but true, a place in the top 100 might mean intense scrutiny from investors and pressure to conform.

## ARJO AB

## NOTICE OF ANNUAL GENERAL MEETING

The shareholders of Arjo AB are hereby given notice that the Annual General Meeting of Arjo AB will be held at 2 p.m. on Thursday 16th February 1995 at Hotel Stenarö, Stora Torget 12, Eslöv, Sweden.

## Right to Participate

All shareholders are entitled to participate in the General Meeting, provided that they 1. are recorded in their own names in the company's share register (which is kept by Vårdepapperscentralen VPC AB) on 8th February 1995; and 2. notify the company of their intention to participate in the Meeting not later than at 12.00 noon Swedish time on Monday 13th February 1995.

Shareholders whose shares are registered in the name of a nominee must, if they wish to participate in the Meeting, be temporarily recorded in their own names in the company's share register. As such temporary recording must be made on 8th February 1995, the shareholder must give notice to his nominee in ample time prior to said date.

## Notice of Participation

Notice of participation can be made in writing to Arjo AB, PO Box 61, S-241 21 Eslöv, Sweden, by telefax at +46 - 413 - 138 76 or by telephone at +46 - 413 - 646 41.

## Agenda

- Matters which, in accordance with the Articles of Association, are to be dealt with at Annual General Meetings of the shareholders, including presentation of the annual report and the auditor's report as well as the consolidated financial statements and the auditor's report thereon; resolutions regarding the adoption of the income statement and the balance sheet as well as the consolidated income statement and the consolidated balance sheet; dispositions of the company's profit according to the balance sheet adopted; discharge from liability for the Directors and the Managing Director; and election of Directors and auditors.
- The Board's proposal to amend the Articles of Association, according to which § 1 of the Articles is amended to read: "The name of the Company is Arjo Aktieförsking. (publ)" This change is a consequence of the amendments to the Swedish Companies Act adopted in 1994 which created distinctions between private and public companies and classified the company as a public company.

## Board of Directors

The following persons will be proposed as Directors: Lars Kyllberg, William Ballard, Hans Lindström, Peter Nilsson, Ed McKinley and Francis Mackay. The proposal is supported by shareholders representing approximately 25 per cent of all outstanding votes in the company.

Copies of the directors' service contracts of Hans Lindström and Peter Nilsson, will be available at the offices of the company and at the offices of Lovell Wills Durrant, 65 Holborn Viaduct, London EC1A 2DY England, during normal business hours on each business day from the date of this notice up to the close of the annual general meeting and at the annual general meeting for at least fifteen minutes prior to and during the annual general meeting. No other director has a service contract.

## Dividends

The Board of Directors has proposed a dividend of SEK 2300 per share and 21st February as the record date for entitlement to the dividend. Subject to approval of the Board's proposal by the General Meeting, dividends are expected to be paid by VPC on 28th February 1995.

Copies of the annual report and the consolidated financial statements (and the auditor's reports thereon) will be distributed through VPC to all shareholders who have not indicated that they do not want them.

Eslöv, Sweden, January 1995  
Board of Directors Arjo AB





# Faith in the authorities fades

William Dawkins explains why the Japanese were unprepared for this week's earthquake devastation

Japan clears up

The cataclysm at Kobe has jolted Japan's confidence in itself and in its all-powerful officialdom - the very foundation of the state.

Until much of Kobe collapsed in ruins during the earthquake at 5.46am last Tuesday, the spirits of most Japanese were on a gentle rise, as they prepared to return to work after a sunny national holiday. Employers and their staff were beginning to celebrate the end of the worst recession since the war; the government was starting cautiously to flex its muscles in international diplomacy; Japan and the Japanese were more or less at peace with themselves.

By yesterday, all that was blotted out. Minds in Japan, as in the rest of the world, dwell instead on flaming buildings, the cries of trapped children, the collapse of elevated expressways and, above all, on the dreadful toll of dead and missing, yesterday approaching 5,000, the highest since the 1923 earthquake which devastated Tokyo and Yokohama.

The feeling of nemesis was reinforced by the disaster's eerie coincidence with the first anniversary of last year's Los Angeles earthquake. It was already known, because the public was told before the recession - wrongly - that land prices would never fall and during the recession - again wrongly - that there would be a quick recovery.

The Japanese thought, because the authorities had told them so, that their earthquake precautions were the best in the world. Moreover, earthquakes, it was said, could be predicted and therefore planned for. The big one was, and still is, expected by seismologists to take place miles away from Kobe, either under the sea just off Tokyo, or to the south-west of the capital in the Tokai area.

In fact, the authorities were ill-prepared - something freely admitted by a shocked Mr Tomiichi Murayama, the prime minister, after he had visited the 280,000 homeless in Kobe and witnessed the

food queues, water shortages and fires that continued to burn three days after the earthquake struck. He promised yesterday to act fast to improve preparations for this and future earthquakes.

The jolt to popular trust in the bureaucracy is a deeper psychological blow in Japan than it would be in other developed countries. "Nation asks why" was the headline in yesterday's Asahi Evening News, which speculated that more people would have been saved if the rescue had been better managed.

The state and its regulations play a big part in all aspects of Japanese daily life. The emphasis of these rules, whether to support the banking industry or set construction standards, is to protect the populace from shocks. Trust in the authorities was already weakened, because the public was told before the recession - wrongly - that land prices would never fall and during the recession - again wrongly - that there would be a quick recovery.

"The fact that the experts have now been shown to make errors will make people very cautious," predicts Mr Peter Tasker, author and economic strategist at the Tokyo office of Kleinwort Benson, the UK merchant bank. Many now feel deeply anxious about the consequences of a big earthquake in Tokyo.

"A myth that we all believed in has been broken. We believed our roads were more finely built than in the US," adds Mr Kiyooki Kikuchi, a former ambassador to the United Nations.

Japan's self-sufficiency is another

myth to have been smashed. For the first time since the aftermath of second world war, Japan, the world's largest aid donor, has found itself in need of foreign charity. People and equipment have started to flow in from abroad. The US, Japan's perennial postwar guardian, was naturally first into action. Less expected was the helpful alacrity of neighbours such as China, the Philippines and South Korea.

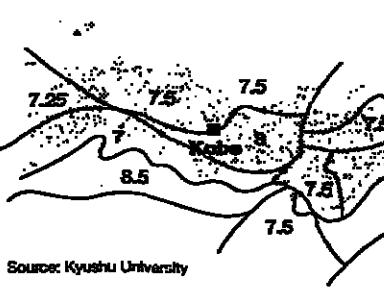
As for the economic recovery, the government now admits that the damage to infrastructure in Japan's industrial heartland was so wide that official economic forecasts for 1995 - as if anyone trusted them at the best of times - are meaningless. The practical details of where the Kobe rescue fell short echo common criticisms of Japanese officialdom's response to other disasters, such as the 1990 Gulf war or the 1985 Japan Airlines crash. In both cases, reactions were slow because of a lack of central authority. An inability to respond effectively to the unplanned and unexpected is a particular weakness of Japan's government bureaucracy, geared as it is to implementing prepared, rather than impromptu, strategies.

There was, for example, a four-hour delay before troops were called out to Kobe, because they could not legally move without an invitation from the local authority, the subject yesterday of a bitter row between the self-defence agency and local government. US federal authorities, by contrast, were alerted 15 minutes after the Los Angeles earthquake, as the Nihon Keizai Shimbun economic newspaper pointed out.

In another sad farce, naval ves-



Major active faults around Japan. Numbers indicate maximum Richter scale strength of a potential quake along fault.



els bearing food and relief equipment were prevented from docking at Kobe port for several hours, because dock workers had not received permission to receive them.

Another bureaucratic failure that has struck hard is the apparent



Kobe quake was much stronger than the Los Angeles one does little to restore their credibility. At the same time, the earthquake brought out the best in individuals, as disasters often do. There were disturbing reports of survivors walking to work, regardless of the

cries coming from the rubble, but there was none of the riots or looting that marred the aftermath of the Los Angeles earthquake; most survivors showed patience and forbearance, and an anonymous man walked into Kyoto city hall with a ¥20m (\$200,000) donation.

Survivors' stoicism can be explained. The Kobe tragedy, while shocking, is a reminder of the natural state of things in Japan, with its long history of earthquakes and typhoons. The archipelago sits on a fragile looking mesh of active faults reminiscent of a fractured eggshell.

It is no accident that Japan's main creed, Shintoism, is devoted to the worship and appeasement of natural phenomena. This keeps alive the traditions of an agricultural race, long accustomed to the feeling that their livelihoods, and even lives, are in the hands of the elements.

Thus the impermanence of man-made things is part of Japanese culture. Ancient shrines are rebuilt identically every few years, while the skyline of Japan's main cities is constantly changing, even without the help of earthquakes. Several academics have described Japan as a "knock down and rebuild" society.

Many now are hoping that the tragedy will move beyond nemesis, to a phase from which something positive will grow. Mr Shijuro Ogata, a senior adviser to Yamachi Securities, who is no stranger to suffering since his wife is UN high commissioner for refugees, believes the earthquake could give directionless Japan a creative new target.

Nothing has yet replaced the old strategy of export-led economic growth, which Japan was forced to abandon by the latest recession in its main markets, says Mr Ogata. Now, he argues, the reconstruction of Kobe and the improvement in the rest of Japan's readiness for a big quake, could be a new national strategy, to which Japan can apply its famous skill for setting and beating ambitious objectives.

## The shop in your kitchen

The idea of pork cutlets for dinner has not found favour. A harassed Joan Smith decides to think again. "Alice, call George the grocer on video call," she says to the intelligent software agent that controls the screen in her kitchen.

The beaming face of the local grocer appears on the video screen. "George, I need a new recipe for chicken," pleads Smith. He obliges, providing a low-sodium, low-fat recipe for stir-fried chicken. She agrees. "Send me what I need," by 4.30pm.

Meanwhile, her son is eating breakfast, playing a promotional video, quiz encoded on a soft-drink can and doing the rest of the shopping. Replenishments for empty cereal packets and milk cartons are automatically ordered when he runs their barcodes over a scanner on the kitchen table. The groceries will be delivered in a crate positioned behind an opening in the kitchen wall.

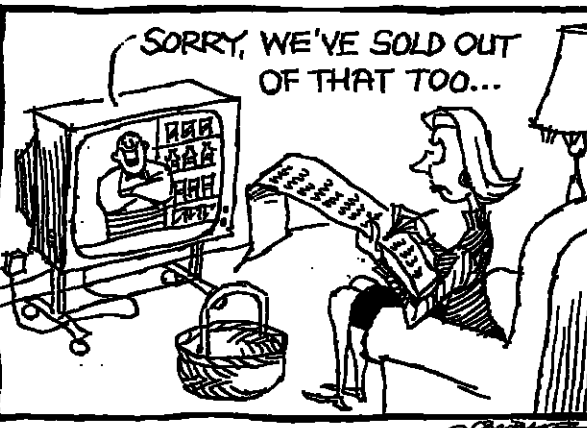
This is the vision of food shopping in 2003 produced by Andersen Consulting, the international consultancy. It is a world where food can be ordered via a TV screen, goods are delivered to the home, and shops thrive by providing their customers with a highly personalised service.

Although this vision may seem alien, most of the relevant technology is already in place, according to Mr John Hollis of Andersen Consulting. Moreover, Mr Hollis believes that advances in technology and changing consumer attitudes are about to precipitate radical change in the way that people shop. "We are at the take-off point," he says.

The challenges and opportunities posed by interactive, multimedia services are being taken seriously by retailers and manufacturers.

Trials are proliferating, as retailers try to gain experience of innovative techniques. Over

Vanessa Houlder on retailers' plans for interactive services



the past 12 years, more than 1,000 interactive media retail projects have been launched, according to IMRG, a UK-based forum for promoting co-operation between suppliers and users of retail multimedia.

Retailers considering a move out of the high street are faced with an increasing number of options. They range from

to less familiar options such as multimedia kiosks, on-line shopping services on the Internet and interactive cable TV.

Already many retailers are trying out in-store kiosks to help customers select purchases. Shoes, CDs, over-the-counter drugs, betting and travel services are being marketed using interactive systems. These provide the consumer with more information than a typical sales assis-

tant can and often offer more choice, in cases where a delivery system is offered.

An alternative approach to providing electronic information to consumers is through CDs. Philips, the Dutch electronics group, has teamed up with Barclays Bank, UK, major order company Freemans and travel company Page & Moy to

test interactive shopping via CD-i, its interactive compact disc technology.

On-line shopping services are also

test the creation of a mass market for electronic shopping may depend on the evolution

of interactive TV services. The potential was illustrated last month when Time Warner, the US media company, unveiled its fully interactive cable system in Florida. This system, which also offers films and video games, allows the user to move around a mock-up of a shopping mall, enter a store and obtain product information at the touch of a button.

Despite the technological sophistication, however, it is not clear that consumers will want these innovations. Research carried out across Europe by Research International Retail and the Bentley Centre found that only 7 per cent of respondents would be prompted to connect their households up to a cable TV/home system by the promise of a shopping channel.

"There is generally a fairly negative view of shopping from home," according to Research International Retail. It attributes this to a lack of trust that the goods ordered will fulfil expectations and the fear of difficulties in taking delivery and returning unsuitable goods.

Many people also fear the social isolation and lack of human interaction that could result from home shopping. But the popularity of automatic cash machines, despite some bankers' expectations that customers would prefer dealing with people, suggests that many are often less enthusiastic about social interaction than might be expected.

Few retailers are prepared to be complacent about the challenges posed by electronic home shopping. "It may be 15 years before the information superhighway can deliver a fully comprehensive service to homes," says James Roper of IMRG. "But key deals are being struck now, and those who are ill-prepared may find their businesses bypassed and their customer-base depleted."

Sony and Philips, two of the world's most powerful consumer electronics companies, have joined forces to develop the next generation of their highly successful compact disc. They now face a battle to persuade their rivals to accept the new product as an industry standard.

The Sony-Philips alliance has invented a CD to play films as well as music. They see the product as a successor to the audio CD they launched in 1982 and which now commands sales of \$30bn a year. However, Toshiba, the Japanese electronics group which is one of their most aggressive rivals, is developing its own version of the video-CD.

The two camps are preparing for a battle over CD formats that threatens to engulf the electronics and entertainment industries.

The new video-CD systems combine the functions of video cassette recorders and audio compact disc players. Unlike audio CDs, they can be used for recording as well as playback. They also have some of the data storage capacity of interactive CD-ROM discs, and can therefore be used to play games and store information.

Existing audio CDs can be played on the new machines. However, consumers will have to buy new video-CD discs to watch films. Hence video-CD could be an enormous opportunity for the electronics industry. "We really believe in video-CD," says Mr Simon Turner, European head of Philips Media. "It's the next big thing."

The first generation of video-CDs is already on sale in Japan. But the visual quality is erratic and the discs are the same length as audio-CDs, 72 minutes which is not long enough for feature films that run for at least 90 minutes.

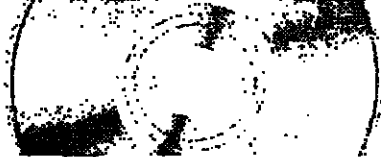
Sony and Philips have devised a new video-CD disc format that holds films up to 135 minutes long by compressing the information stored on it. They claim the visual quality is superior to video cassettes and hope to market their new video-CD system by Christmas next year, with players priced at \$1,000.

Toshiba is in the final stages of developing its own version of the video-CD. This will run for 270 minutes and, according to Toshiba, is technically superior to the Sony format.

Both camps are now anxious to ensure that their format is accepted as the industry standard. Much is at stake: the inventor of a standard not only has a competitive edge over its rivals in marketing new products, but can also earn royalties by licensing the technology to other companies. Sony and Philips already earn royalties from CD sales - thought to be \$2 per each disc.

## A record fight in sight

Alice Rawsthorn on the battle to establish an industry standard for video-CD



Worldwide sales of CD and VCR, \$bn, 1994

|                          |    |
|--------------------------|----|
| Video cassette recorders | 24 |
| Video cassettes          | 30 |
| Compact disc players     | 10 |
| Compact discs            | 20 |

Worldwide recorded music sales (m units)

|               |      |      |
|---------------|------|------|
|               | 1992 | 1993 |
| Singles       | 369  | 405  |
| LPs           | 115  | 80   |
| Cassettes     | 1472 | 1347 |
| Compact discs | 1166 | 1392 |
| Total         | 3102 | 3224 |

Source: Industry estimates, International Federation of Phonographic Industries

However, if a recording format does not become a standard, its inventor will find it difficult to convince film studios and music companies to record their films, albums or singles on it. It will then be equally difficult to persuade consumers to buy it.

Sony learnt this lesson the hard way in the 1980s, in the battle over video system standards with Matsushita, the Japanese electronics group. Sony's Betamax system was acknowledged as technically superior to Matsushita's VHS, but when the rest of the electronics industry plumped for VHS, the film industry followed suit. It became so difficult for consumers to rent or buy Betamax films that Sony's format was no longer commercially viable.

The Betamax debacle was a catalyst for Sony's \$3.4bn acquisition in 1989 of Columbia and Tri-Star, the Hollywood film studios, following its \$2bn takeover of CBS Records the previous year. It was also one of the main motivations for Matsushita's \$6.1bn acquisition in 1990 of MCA/Universal, the film and music group.

Both companies justified these expensive US deals by arguing that it would be easier to launch electronics products in the future if they owned entertainment software in the form of movie and music rights. They could then ensure that films and recordings were available in their new formats, making it easier to persuade consumers to buy the hardware.

However, their recent experience of trying to launch an audio successor to the CD and cassette has provided little evidence that this approach will work.

Sony's MiniDisc, introduced in 1992, is not considered a success by the rest of the industry (though the company says that sales are on target). Sony maintains that its music subsidiaries were useful in making sure that MiniDisc owners could buy recordings in the format. Yet the company has found it difficult to convince other electronic companies to launch their own versions and relatively few recordings have been issued on MiniDisc by other music companies.

Similarly, Matsushita has found it difficult to get its digital compact cassette system (developed by Philips and launched in 1992) off the ground despite the support of MCA's music companies.

As a result, Sony, Philips and Toshiba are anxious to establish their video-CD formats as the electronic and entertainment industry standard before they go into production.

The rival factions are now beginning to court the rest of the industry. Toshiba has won over Pioneer and Time Warner, the US media group, Sony and Philips claim the tacit support of Matsushita.

Several music companies, including Sony itself, are also focusing on the development of another, intermediate product, called CD Plus, discs which can play music on audio-CD systems, but offer video and graphic images on CD-ROM drives. Meanwhile the movie studios are waiting for the electronics industry to agree a standard for video-CD.

"Video-CD could be fantastic," said Mr Frank Mancuso, chairman of the MGM movie studio. "But I don't want to hear about this technology, or that technology. I want the electronics guys to get their act together and give me one product that'll make it more fun for people to watch movies."

## Devolution for Scotland touches chord with voters

From Mr N R Smith. Sir, Any business preparing an appreciation of Scotland would be better advised by your leader, "Scotland and the union" (January 13), rather than the letter from the two academics in Paisley (January 18), who dismissed devolution as "nothing more" than the froth of the chattering classes and the dishonesty and self-interest of a few.

There is an issue: it is the good governance of Scotland within the UK and for the UK. A perfectly reasonable objective held by many and, despite their arguments, it is probably still the preferred option in Scotland.

As to the passion for constitutional reform, it already ranks high in the agenda of three, some would say four, of the political parties here, presumably because it touches a chord with voters. And it fills quite enough debating halls and column inches. Anyone who spends a week in Scotland would conclude that the issue is alive and kicking. They point to the low prior-

ity voters give "Devolution" when it competes in polls against employment and education. Does anyone imagine that "Maastricht" would have any better in a similar comparative poll, yet it, too, is a complex issue of constitutional reform. Should the voters be criticised for preferring the outcomes rather than the means?

The interest of your paper in the issue is important and should not be discouraged. Not enough attention has yet been paid as to how reform would affect our companies and our business institutions.

The chief executive of the Bank of Scotland, Sir Bruce Patullo, has recently suggested it is time for the financial industry in Scotland to examine the issues and set out their interests to the politicians. This seems wise advice in general than that from an ivory tower in Paisley. Nigel R Smith, managing director, David Auld Values, Councils Industrial Estate, Finlas Street, Glasgow, Scotland, UK

## LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to "line"). Translation may be available for letters written in the main international languages.

### No cause for national rejoicing

From Mr Douglas McWilliams. Sir, In 1988 the Italian prime minister of the day revised his economic statistics to include the "black economy" and declared "Il Sorpasso" since, on the revised figures, the Italian economy was now larger than that of the UK.

The recent weakness of the lira means that the position has been reversed. The OECD has estimated that Italian gross domestic product this

year will be £1,740 trillion and the UK GDP £705bn. This means that at the exchange rate prevailing today (2,533 lire to the £) Italian GDP is running about 2.5 per cent below that of the UK. Indeed, it would appear that the size of the UK's economy overtook that of Italy last September.

I am sure that Prime Minister John Major will have the prudence to avoid going on television and declaring that

"Il Sorpasso" in reverse is a cause for national rejoicing. After all, the Italian prime minister who made the equivalent claim seven years ago is now languishing in exile, trying to avoid extradition. Douglas McWilliams, chief executive, Centre for Economics and Business Research, 18 Kent Terrace, Regents Park, London NW1 4RP, UK

### Remarkable aftermath

From Mr Mark Popiel. Sir, Your reports on the Kobe earthquake, while very full and informative, fail to mention one remarkable aspect: the complete absence of looting and crime during the ensuing chaos.

The citizens of Kobe have suffered this cataclysmic shock with remarkable dignity, fortitude and stoicism. Although some criticisms have been levelled at the pace and organisation of the rescue efforts, full credit should be given to the people of Kobe for their exemplary behaviour under the very worst of circumstances.

It is very doubtful if one would see this self-discipline in a similar situation in any other country. Mark Popiel, 28-30 Dennerchofu Minami, Ota-ku, Tokyo, Japan

## Wrong response to loans request by Russia

From Taras Kuzio. Sir, John Thornhill, in his article "Russia's day of reckoning" (January 18), ponders the case whether Russia deserves further International Monetary Fund and western aid in the light of the Chechnya conflict, which has witnessed a massive abuse of human rights.

Estimates of the cost of conducting the Chechnya military campaign and dealing with the economic and humanitarian crisis range as high as \$3bn, probably an underestimate. This is nearly half of what Russia is requesting from the IMF in a standby facility.

If Russia can afford such a

wastage of economic resources at a time of scarcity, why does it require IMF loans?

The western response to the Chechnya crisis looks set to repeat all of the mistakes of the last year of Mikhail Gorbachev's term in office, by clinging to a leader who has long abandoned reform while failing to articulate policy options for the Russia without Yeltsin after summer 1996.

Taras Kuzio, editor, Ukraine Business Review, Vigilant House, 120 Wilton Road, London SW1V 1JZ, UK

## Anything but otrotund concerto

From Mr John Maloney. Sir, If the FT wants to keep its reputation for sound judgment all round, perhaps your music critic ("Hindemith weekend", January 18) should order a new pair of ears. How anyone can describe Hindemith's noble, lyrical cello concerto as otrotund and humourless

defeats the imagination. I bet the cellist didn't feel otrotund when he went on singing for upwards of five minutes in the second movement. John Maloney, Department of Economics, Exeter University, Amory Building, Rennes Drive, Exeter EX4 4RJ, UK



## CURRENCIES AND MONEY

## MARKETS REPORT

## D-Mark strong

The D-Mark emerged as the undisputed champion of the safe-haven currencies yesterday, writes James Harding. Doubts over the Federal Reserve's commitment to raising interest rates hit the dollar and concerns over the Kobe earthquake's impact on the Japanese economy weakened the yen.

The dollar was weak against the D-Mark and softer against the yen.

Fears that the Fed would not tighten interest rates sufficiently at the end of the month, the impact of the troubled Mexican peso and flows from the yen into the D-Mark pushed the US currency down.

The dollar dropped just over two pence to close in London at DM1.5087 following Thursday's DM1.5083 and at ¥99.17 after finishing at ¥99.07 the previous day. It slipped a little further in early New York trading before rallying to

DM1.5139 as US traders sought to pick up the currency at what they considered bargain prices.

Uncertainty over the fate of the US rescue package for the peso undermined the Mexican currency. Growing political instability against a backdrop of economic turbulence in Mexico itself made matters worse. The peso closed in London at 5.895 pesos against the dollar following Thursday's

afternoon New York trading. It had closed at C\$1.4181 on Thursday.

The D-Mark closed against the French franc at FF3.463 up from Thursday's close of FF3.459.

## Dollar

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## WORLD STOCK MARKETS

## AMERICA

## Dow extends rate fear losses

## Wall Street

Coupling yesterday morning with Thursday's close, US shares gave up all of the gains made in the rally which ended last Monday, and more besides, writes Lisa Branstetter in New York.

By 1pm, the Dow Jones Industrial Average was down 31.29 at 3,850.32. The Standard & Poor's 500 lost 2.88 at 464.27 and the American Stock Exchange composite fell 2.91 to 436.82. The Nasdaq composite fell 8.90 at 759.55. Trading volume on the NYSE was heavy at 207m shares.

Last week, some investors speculated that the Federal Reserve might raise interest rates, sending the Dow up more than 70 points by Mon-

day - but a wave of economic data this week, indicating a robust economy, quickly reversed that sentiment.

Strong data on housing starts released by the Commerce Department yesterday only added fuel to the renewed speculation that the Federal Reserve would raise interest rates at its open market committee meeting set for January 31 to February 1. Year-end figures on housing starts showed that in 1994, they reached their highest level since 1988. In December housing starts fell 1.0 per cent from November against economists' expectations of a 4.1 per cent decline.

Such signals of inflationary pressures pushed the bond market down across the maturity spectrum. At midday, the long bond was down nearly

half a point with the two-year note showing only modest declines. This led to a flattening of the curve that maps the yields of those bonds, generally an indication that the market expects economic growth.

Among individual shares, Microsoft lost more than 5 per cent of its value, falling 5% at \$59.40 after the securities firm said late on Thursday that it expected fourth quarter earnings for last year to be "substantially below" the \$118m it reported in the previous quarter. Shares in Bankers Trust, off \$1 at \$56, added to Thursday's losses as Brown Brothers Harriman downgraded its rating of the company on the basis of disappointing results.

Kellogg was off 42¢ at \$54.75 as investors worried that,

although profits were up in 1994, the cereal giant was losing market share in the US.

Cyrix beat the falling market, gaining nearly 3% at \$21.40 after reporting fourth quarter earnings well above both 1993 figures and analysts' estimates.

## Canada

Toronto sank on New York's losses, and as the embattled Canadian dollar hit new nine-year lows. The TSE 300 composite index fell 45.93 to 4,095.58 at midday in volume of 31.7m shares valued at C\$497.17m.

The sell-off was broadly based, only real estate escaping declines among market sectors. Active stocks included Rogers Communications class B, down C\$7 to C\$67.

## Mexico in midday pickup from lows

The Mexican bolsa pared some of its earlier losses by midday amid continuing uncertainty about the fate of the \$400m US package to stabilise the country's economy.

The key IPC index, which dipped below the key 2,000 level early in the session, had rebounded to 2,018.49 by noon, a loss of 33.4, or 1.6 per cent. Traders commented that the prospect of a pitched battle in the US Congress to approve the proposed bailout had created gloomy short-term prospects for Mexican markets, and the outlook, economically and politically, remained uncertain.

SAO PAULO was 4.3 per cent down in moderate midday trading as investors sold on worries about a possible rise in US interest rates and its impact on Latin American markets. The Bovespa index fell 1,656 to 36,438 at 1300 local time in turnover of R\$131.4m (\$154.1m). RUIZ DE ALARCA fell 2.3 per cent in early trading in a market dominated by caution and awaiting further news on Mexico's financial restructuring. The blue-chip Merval index which had fallen by 7 per cent over the previous two sessions lost 9.85 to 420.95.

LIMA was lower in light midday trading which suggested the almost complete absence of foreign investors. The general index fell 20.1 to 1,661.6 per cent to 12,085.15 while the selective index of the 15 most actively traded issues lost 2.4 per cent.

## SOUTH AFRICA

The resolution of a row that threatened to split the national unity government helped Johannesburg shares off their lows by the close. However, dealers cautioned that other factors could hamper further recovery efforts as the market struggled to find fresh buyers amid concern that the gold price would drift off current levels.

The overall index finished 24.4 weaker at 5,410.4 after earlier touching 5,470.2. Industrials fell 10.3 to 6,563.7 and gold rose 5.3 to 1,772.4.

Written and edited by William Cochrane and Michael Morgan

## Paris bourse bemused, bothered, bewildered

Andrew Jack reflects upon another frustrating year

If one word could sum up the current attitude of international investors towards the Paris bourse, it would probably be "bemused". Growing signs of economic recovery and political certainty appear to have done little to boost interest in or improve the performance of French equities.

"Foreign investors are bored and a bit bewildered by France," says Mr David Bowers, European strategist and economist at Smith New Court. "From the point of view of analysts, 1994 has been another frustrating year."

He says a joke going round in the City of London at present states that every year a different strategist overweights European investments towards France - waiting for that imminent upturn - and every year, the poor strategist is proved wrong.

New capital-raising rose to record levels last year. That is one reason why the CAC-40, the indicator of the leading quoted French stocks, dropped by 17 per cent.

Traditionally, many investors did have a disproportionate share of their portfolio in France. It was always the market that was just about to boom. But with underperformance relative to other European markets lingering since 1992, according to some analysts, many have finally pulled out and are reluctant to overcommit again.

In 1993, the gloomy state of the French economy, the increase in the savings ratio and the disappointing earnings of companies were all significant factors. In 1994, analysts turned to explanations including interest-rate sensitivity among French financials, the uncertainty surrounding the forthcoming presidential race in April and May and the wave of corruption scandals affecting French companies.

Now that the economy is recovering, most of the key indicators are showing the signs of an upturn and business profits are picking up. Mr Bowers cites a recent consensus survey of estimates of corporate earnings, which suggests a growth of 34 per cent in

1994 to 42 per cent this year. That would give a reduction in the price/earnings ratio from 21 last year to 14 in 1995, compared with a fall from 25 to 17 in Germany, for example.

Investors remain suspicious of France's franc reform policy. Tying the country's fortunes to Germany may yet prove difficult.

Other factors that might bring investors back into France would be if external changes in Germany force economic change, or a big takeover from a cash-rich company triggers interest.

"At the moment there is the absence of a catalyst," says Mr Bowers. "Investors just can't see what is new to get excited about."

Mr Jean-Francois Theodore, chairman of the Société des Bourses Françaises, which operates the market, does not lack much of an explanation himself for the underperformance of market.

He argues that investors overreacted to the political and economic uncertainties of the last few months. At the same time, broader changes, notably the abolition of stamp duty for foreign investors on share transactions, have made the market more attractive. Mr Theodore claims that he is all but prepared for the deregulation required for the start of next year by the EU investment services directive. The one principal remaining tweak - which should please investors - is a greater sense of commercialism, notably in the need to appeal to investors more and meet their needs.

For those interested in smaller and more risky companies, better prospects may well lie ahead. The bourse is now embarking on an aggressive marketing programme to lure France's rich vein of small and medium-sized enterprises to seek quotations. It is also planning a new stock market for fast-growing start-up companies by the start of next year.

Mr Bowers argues that the share price of French companies against their book values is still low, which bodes well when investors start to become interested in the market again. "My feeling is that there is a time to be over-weight in France in 1995," he says. "It is just not yet."

On the political front, while Mr Jacques Delors, the former head of the European Commission, decided in December not to stand as a strong socialist contender, the French presidential elections still offer considerable uncertainty in a race between Mr Edouard Balladur, the prime minister, and Mr Jacques Chirac. Bowers argues

that investors might prefer a victory by Mr Chirac, reflecting their dissatisfaction with Mr Balladur's economic policies.

Source: Datastream

Still shaking from the impact of real estate losses earlier this week, the Paris bourse tumbled again yesterday with the CAC-40 index down another 23.78 to 1,813.33, 2.2 per cent lower on the week.

Turnover rose from FF3.7bn to FF4.1bn. Saint-Gobain, the glass and building materials group, saw scant share price reward for the near-trebled profits it produced after Thursday's close, rising just FF1 to FF618 in the end after a day's high of FF623. Credit Lyonnais recovered FF11 to FF757, the apparent progress of negotiations for a second state rescue package.

cult to sustain, and many French companies have been investing only to rebuild inventories after heavily destocking. The devaluation of the Italian lira against the franc, involving France's second largest trading partner, may still have dangerous unforeseen effects.

On the political front, while Mr Jacques Delors, the former head of the European Commission, decided in December not to stand as a strong socialist contender, the French presidential elections still offer considerable uncertainty in a race between Mr Edouard Balladur, the prime minister, and Mr Jacques Chirac. Bowers argues

## EUROPE

## Daimler downgrade undermines Dax

After Thursday's fall on Wall Street, bourses were predisposed to decline; they were, in addition, all too receptive to further depressing influences at home and abroad, writes Our Markets Staff.

FRANKFURT was dominated by a Daimler downgrade as the Dax index fell 33.78 to 2,065.58 on the session, incorporating moderate post-bourse losses from Thursday, falling further to 2,050.86 in the post-bourse, the key index ended 0.7 per cent down on the week.

Turnover rose from DM5.5bn to DM6.6bn. Daimler topping the individual activity charts in DM1.07bn as the shares fell DM27, or 3.6 per cent, to DM722.50.

Mr Keith Hayes, an analyst at Merrill Lynch, cut his 1995 earnings estimates for the automotive, aerospace and engineering group to DM20 from DM23, saying that the bulk of the group's recovery would be delayed until 1996, for which he revised his forecast from DM47 to DM39.

In New York, Merrill downgraded the stock from neutral to near-term below average. In London, Mr Hayes said last night that he was cautious about the car market recovery; that further provisions were very likely at AEG, and in the

## FT-SE Actuaries Share Indices

| THE EUROPEAN SERIES |         |         |         |         |         |         |         |         |  |
|---------------------|---------|---------|---------|---------|---------|---------|---------|---------|--|
| Jan 20              | Open    | 10.30   | 11.00   | 12.00   | 13.00   | 14.00   | 15.00   | Close   |  |
| FF-SE Banktrack 100 | 1314.37 | 1314.18 | 1314.82 | 1314.58 | 1315.09 | 1314.21 | 1314.95 | 1313.82 |  |
| FF-SE Banktrack 200 | 1369.60 | 1369.94 | 1370.69 | 1370.16 | 1370.87 | 1370.12 | 1369.82 | 1368.18 |  |
|                     | Jan 19  | Jan 18  | Jan 17  | Jan 16  | Jan 15  | Jan 14  | Jan 13  |         |  |
| FF-SE Banktrack 100 | 1328.94 | 1327.01 | 1329.66 | 1329.54 | 1329.54 | 1329.54 | 1329.54 |         |  |
| FF-SE Banktrack 200 | 1379.01 | 1384.06 | 1385.33 | 1386.01 | 1386.01 | 1386.01 | 1386.01 |         |  |
| FF-SE Banktrack 100 | 1328.94 | 1327.01 | 1329.66 | 1329.54 | 1329.54 | 1329.54 | 1329.54 |         |  |
| FF-SE Banktrack 200 | 1379.01 | 1384.06 | 1385.33 | 1386.01 | 1386.01 | 1386.01 | 1386.01 |         |  |











INVESTMENT PROSPECTUS - CONT.

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**OIL INTEGRATED**

|            |     |   |     |     |       |     |
|------------|-----|---|-----|-----|-------|-----|
| MAJ        | 240 | 4 | 223 | 218 | 784.6 | 41  |
| Men ED & F | 165 | 1 | 181 | 150 | 424.1 | 6.5 |

**PROPERTY**

Crosby and  
 Crawford ..... 204  
 Crawford ..... 110

McKay Scott ..... 24  
Nathaniel Moore ..... 24

**DETAILS GENERAL 4-1**

## SUPPORT SERVICES

|          |     |     |
|----------|-----|-----|
| Populace | 155 | 235 |
| Penns.   | 110 | 115 |

**TRANSMITTANCE 0-1**

|                         | Urban | Rural |
|-------------------------|-------|-------|
| Age                     |       |       |
| 18-24                   | 1.00  | 1.00  |
| 25-34                   | 1.00  | 1.00  |
| 35-44                   | 1.00  | 1.00  |
| 45-54                   | 1.00  | 1.00  |
| 55-64                   | 1.00  | 1.00  |
| 65-74                   | 1.00  | 1.00  |
| 75-84                   | 1.00  | 1.00  |
| 85+                     | 1.00  | 1.00  |
| Gender                  |       |       |
| Male                    | 1.00  | 1.00  |
| Female                  | 1.00  | 1.00  |
| Marital status          |       |       |
| Married                 | 1.00  | 1.00  |
| Single                  | 1.00  | 1.00  |
| Divorced                | 1.00  | 1.00  |
| Widowed                 | 1.00  | 1.00  |
| Education               |       |       |
| High school or less     | 1.00  | 1.00  |
| Some college            | 1.00  | 1.00  |
| Bachelor's degree       | 1.00  | 1.00  |
| Master's degree         | 1.00  | 1.00  |
| Doctorate               | 1.00  | 1.00  |
| Income                  |       |       |
| \$0-\$14,999            | 1.00  | 1.00  |
| \$15,000-\$24,999       | 1.00  | 1.00  |
| \$25,000-\$34,999       | 1.00  | 1.00  |
| \$35,000-\$44,999       | 1.00  | 1.00  |
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| \$65,000-\$74,999       | 1.00  | 1.00  |
| \$75,000-\$84,999       | 1.00  | 1.00  |
| \$85,000-\$94,999       | 1.00  | 1.00  |
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| \$105,000-\$114,999     | 1.00  | 1.00  |
| \$115,000-\$124,999     | 1.00  | 1.00  |
| \$125,000-\$134,999     | 1.00  | 1.00  |
| \$135,000-\$144,999     | 1.00  | 1.00  |
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| \$855,000-\$864,999     | 1.00  | 1.00  |
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## Criticism highlights rift in UK government

# Hurd says Eurosceptic manifesto ideas 'unreal'

By John Kampner,  
Westminster Correspondent

UK government divisions on Europe were thrown into stark relief yesterday when Mr Douglas Hurd, foreign secretary, dismissed as "unreal" the manifesto launched this week by Conservative party Eurosceptics.

Mr Hurd's broadside against the eight rebels contrasted markedly with the conciliatory approach of Mr Jonathan Aitken, treasury chief secretary, who said that "give or take a few words" he could agree with much of the document.

The differing responses highlighted the rift not just on policy towards European integration but also on how best to deal with the exiles suspended from the parliamentary party last November in a row over EU financing.

Mr John Major, prime minister, suggested at the start of the week that an accommodation should be found.

He had let it be known to

Eurosceptics that he was prepared to harden his stand ahead of the 1996 inter-governmental conference to review the Maastricht treaty.

Mr Major's cautious overtures were prompted in part by a perception on Conservative benches that the government's unpopularity might have bottomed out. A series of robust performances against Mr Tony Blair, the Labour leader, in parliament bolstered morale.

For Mr Hurd and the other pro-Europe members of the cabinet, such optimism was undermined when seven of the nine "whippers" Tories voted against the government on Wednesday on fisheries policy.

Mr Hurd made clear yesterday, however, that the government would not change its policies to appease the exiles.

Their statement contained ideas "which I think are unreal in the sense that if we push them, we would be in fact withdrawing from the European

Union, cutting ourselves off from the single market or putting ourselves under rules we didn't have any share in making," Mr Hurd told BBC radio.

He stressed the onus was on the rebels to come back into the fold.

"They will make up their own minds, they are entitled to do that. We are not going to change the whole of government policy in order to achieve that particular tactic," he said.

By striking a different tone to Mr Aitken, Mr Hurd has once again laid bare the existence of two camps in the cabinet, allying himself firmly with the likes of Mr Kenneth Clarke, the chancellor, and Mr Michael Heseltine, trade and industry secretary.

In a speech in Nottingham, Mr Hurd gave a further indication that he had temporarily shelved ideas of retiring from office. The prospect of Mr Hurd leading government strategy for next year's conference would worry many of the Eurosceptics.

## Maxwell pensions mediator quits as talks fail

By Bronwen Maddox

Sir John Cuckney is to step down as head of the Maxwell Pensioners' Trust marking the end of attempts to secure a global settlement between banks and pension funds tangled in the collapsed Maxwell media empire.

However, he will lead a new round of talks aimed at reaching a less ambitious agreement between the largest banks and the pension funds.

He will act as formal adviser to Mr Peter Lilley, UK social security secretary, on the Maxwell pension controversy.

The trust, set up by the government in 1992 to encourage banks to relinquish assets missing from the Maxwell companies' pension schemes, has had only limited success.

After the death of Mr Robert Maxwell, the UK media tycoon, in November 1991, it emerged that £440m (\$686m) had been plundered from pension funds of his companies. Much of this was pledged to banks as security for loans.

Public pressure and the threat of court action have already encouraged some banks to surrender assets to the trust and to the pension funds directly.

So far, the funds have recovered £140m. However, Sir John's attempts to agree a global deal covering much of the remaining £300m have stalled.

Sir John believes he will stand a better chance of bridging the gap between banks and pension funds if he is not formally representing the pensioners.

The new talks, dubbed "son of global settlement" by those involved, will try to put together a package of bilateral deals.

Mr Richard Thomas of Law Debenture Corporation, which represents the pensioners of Maxwell Communication Corporation, one of the two Maxwell public companies, yesterday welcomed the new approach.

But he also warned that pensioners' patience for a negotiated settlement could be running out. "Should the new approach fail, we will take immediate legal action to pursue claims bilaterally because we feel they are very strong," he said.

Sir John's successor will be Mrs Jane Newell, who was also a founder trustee of the Maxwell Pensioners' Trust.

## Drop in UK lending weakens hopes for housing recovery

By Alison Smith in London

The fragile recovery in the UK housing market which emerged last summer appears to have faded.

New mortgage lending by building societies in December fell back to the low levels seen at the end of 1993. The number of new loans agreed but not yet undertaken also dropped to the levels of a year ago.

"The housing market seems to have become split off from the general economic recovery," said Mr Gary Styles, chief economist of the Halifax Building Society, the UK's largest.

The fall in new net lending occurred even before the impact of the latest round of mortgage rate increases has taken effect and after the December rise in interest rates to 6.25 per cent. The fresh round of home loan increases this week is likely to crush any hopes of an immediate improvement in the housing market.

Yesterday, two more big societies - Leeds Permanent and

Bradford & Bingley - followed the Halifax in announcing rate rises. Other large lenders, including Abbey National, are expected to follow suit early next week.

The contrast between the persistent flatness of the housing market and more encouraging signs from other economic indicators has been particularly marked in recent months. In spite of intense competition

Bank lending grows .....Page 4  
Bumpy ride .....Page 8

among banks and societies for new borrowers, lending has remained subdued.

Building society chief executives believe this is having a significant impact in delaying the return of the "feelgood factor" among consumers.

"Until people think their houses are increasing in price, they won't feel confident in spending decisions," said one chief executive.

Mr Adrian Coles, director-gen-

eral of the Building Societies Association, said the figures showed the hoped-for recovery had not materialised.

A further cut in mortgage interest tax relief to 15 per cent in April and government plans to curb mortgage help for people on income support were certain to damage fragile confidence, he added.

The statistics released by the BSA yesterday show new net lending in December at £823m (\$972m), almost 40 per cent lower than in November and broadly the same low level as December 1993.

There was a drop of just over a fifth in the value of loans agreed but not yet undertaken, which totalled £2.46bn, compared with £3.19bn in November. It was higher, however, than the £2.09bn committed in December 1993.

On savings, the BSA figures showed societies had been successful in attracting personal deposits, with a net inflow in December of £684m - the largest monthly amount since May 1993.

## Weapons jobs to go

Continued from Page 1

other work for the site," he said. Mr Roger Freeman, defence procurement minister, backed the cuts, saying they would have no impact on Britain's nuclear capability.

The AWE is managed under contract by Hunting, although the sites are still owned by the

ministry of defence. Hunting took over AWE in April 1993, because the government was dissatisfied with the pace of production of Trident warheads.

The ministry of defence will meet any redundancy costs. Hunting said it hoped many of the jobs would be lost by natural wastage, but accepted that some redundancies were inevitable.

## 'Fresh start' for leaders

Continued from Page 1

policemen had been granted indemnity from prosecution by the then ruling National party, the two men agreed proposals for settling the matter would be put to the next cabinet meeting.

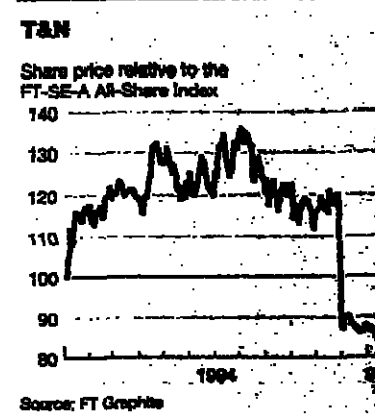
During his closing speech to the party congress today, Mr de Klerk is expected to cite the cri-

sis, and the speed with which it was settled, as evidence of the role the National party still has to play. Dismissive as they are about this claim, ANC leaders recognise that international economic repercussions could be damaging. On the Johannesburg stock exchange, the overall index fell 24.4 to 5,410.4 for a two-day slide of nearly 2.1 per cent.

## THE LEX COLUMN

# Long-haul alliances

FT-SE Index: 2995.0 (-33.6)



increases. By acting quickly, the central banks should ensure a lower peak to the interest rate cycle. In the UK, the money markets are predicting rates will peak at about 9.5 per cent. Though even that looks exaggerated, it would be less damaging to corporate profits than the last cycle's 15 per cent peak. Moreover, the central banks' anti-inflationary actions may eventually be rewarded by lower bond yields - which would be good for shares.

In any case, this could be an extended and profitable cycle. UK corporate liquidity is at its highest point since 1978. That points to strong dividend growth and a pick-up in mergers and acquisitions - both again good for equities. Nor is cash that attractive: it is presently yielding 35 per cent less than its 10-year average. Pessimists could yet be surprised.

## Short selling

One cannot blame the UK government for wanting the best price when it sells its stakes in National Power and PowerGen next month. But the Securities and Investments Board and the stock exchange have no business tilting the regulatory playing field to make the government's job easier. Yesterday they announced new rules to constrain "short selling" in the run-up to secondary share sales on the grounds that this might artificially drive down the share price. The snag is that neither regulator has evidence that prices have actually been depressed in previous secondary issues. In the last big issue, BT's, the price was arguably artificially inflated. Still, one might say, there is nothing wrong with rules that make the mar-

ket more transparent. Fair enough, except that the transparency announced by the regulators is lopsided. The market's aggregate short position in the two stocks is to be disclosed so the government can spot whether investors are driving down their share prices. To be fair, the aggregate long positions of the government's brokers should also be revealed so investors can see whether the prices are being supported.

Investors are now to be required to settle large transactions within five days, against the normal 10. That will allow the government to spot quickly which investors are selling shares and so deny them allocations of new shares. To be fair, each of the government's brokers should also be required to disclose large transactions after a five-day delay. In the absence of fair rules, investors should beware.

## T&N

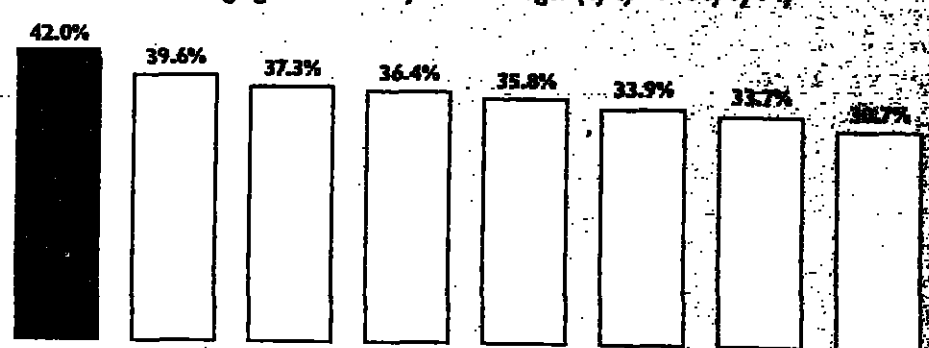
T&N's hugely costly involvement with asbestos has had one benign effect: it has deterred potential bidders and thus allowed the management to get on with the task of building a high quality collection of industrial assets. But the attempt to "grow away" from asbestos has been a strictly qualified success, on two counts.

First, as the surprise £100m provision last November made clear, asbestos is as large and unpredictable a risk as ever. Second, the group's acquisitions have left it with a weak balance sheet and poor cash-flow. Its financial problems are compounded by the effects of paying high dividends on a much expanded equity base. A falling proportion of UK earnings means that it cannot recover its Advance Corporation Tax charge. This is its operating margins are among the highest in the sector is little consolation for investors. The shares are down more than a third since November and now yield more than 8 per cent.

This level of yield sends a clear warning, suggesting that the market believes the group should cut its dividend. Indeed, the priority for the group now should be to curb over-distribution and rebuild its finances. This means that it should forgo or at least extend its option to buy a majority stake in Germany's Kolbenschmidt, however compelling the logic of buying a leading competitor in the European piston market. It should demonstrate its commitment to consolidation further by trimming capital expenditure and selling non-core assets.

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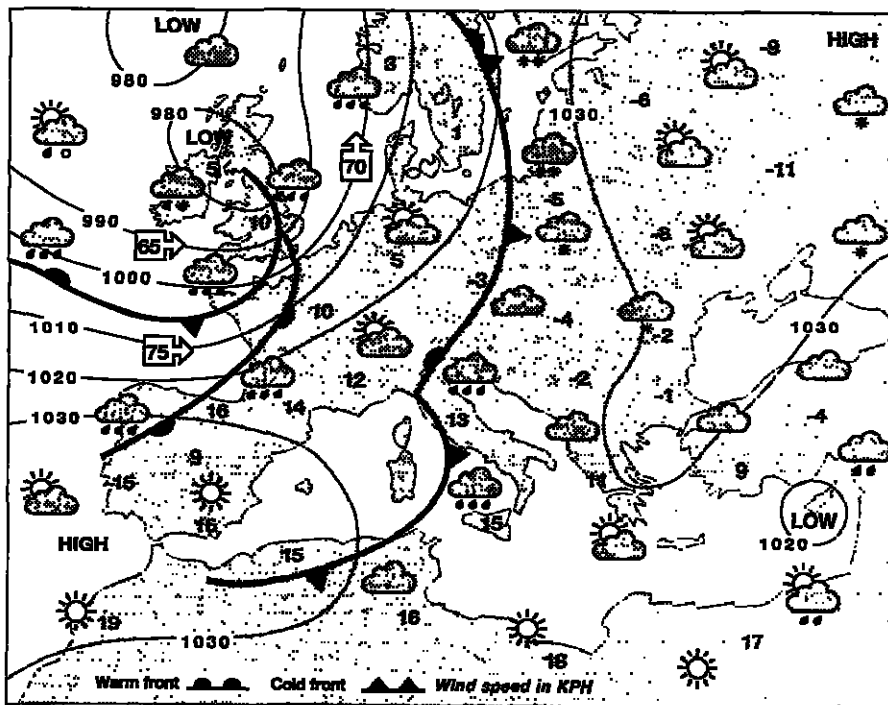
## FT WEATHER GUIDE

### Europe today

An area of low pressure will move across the British Isles into western Europe causing heavy rain in many places. The English Channel and the North Sea will be windy, with a risk of severe gales. Scandinavia will be relatively mild in the west with some rain. Eastern Europe will be rather cold and sunny. Most of European Russia will have sunny spells with occasional snow showers. Spain and the western Mediterranean will be mainly clear. Italy will be affected by a low pressure area, causing widespread cloud and outbreaks of rain. Further east, Turkey will be cloudy, with rain in the south and south-east.

### Five-day forecast

It will be very rainy, as a strong westerly air flow carries several low pressure areas across France and central Europe. The Alps will have snow. A strong ridge of high pressure over south-western Europe will keep southern Spain and the western Mediterranean mostly sunny and dry. Northern Europe will remain very changeable with rain in the south, and snow over central and northern parts.



### TODAY'S TEMPERATURES

|              |        |    |            |         |    |              |         |    |             |         |     |             |         |     |
|--------------|--------|----|------------|---------|----|--------------|---------|----|-------------|---------|-----|-------------|---------|-----|
| Madrid       | sun    | 4  | Caracas    | fair    | 30 | Faro         | fair    | 16 | Mexico      | fair    | 8   | Rangoon     | sun     | 33  |
| Abu Dhabi    | sun    | 26 | Cardiff    | rain    | 10 | Frankfurt    | fair    | 6  | Majorca     | sun     | 14  | Reykjavik   | fair    | 2   |
| Accra        | fair   | 32 | Geneva     | rain    | 16 | Malta        | fair    | 6  | Malta       | fair    | 16  | Rio         | fair    | 28  |
| Algiers      | fair   | 15 | Guatemala  | snow    | -2 | Manchester   | fair    | 16 | Rio         | fair    | 16  | Rome        | showers | 13  |
| Amsterdam    | rain   | 8  | Havana     | showers | 7  | Glasgow      | rain    | 6  | S. Paolo    | showers | 12  | S. Paolo    | cloudy  | 8   |
| Athens       | cloudy | 11 | Bogota     | fair    | 27 | Hamburg      | showers | 4  | Seoul       | cloudy  | 8   | Seoul       | cloudy  | 8   |
| Atlanta      | sun    | 14 | Bombay     | sun     | 31 | Helsinki     | fair    | 10 | Singapore   | rain    | 30  | Singapore   | rain    | 30  |
| B. Aires     | fair   | 29 | Brussels   | rain    | 8  | Hong Kong    | fair    | 24 | Stockholm   | rain    | 2   | Stockholm   | rain    | 2   |
| Buenos Aires | rain   | 8  | Dublin     | cloudy  | -4 | Honolulu     | fair    | 27 | Strasbourg  | fair    | 8   | Strasbourg  | fair    | 8   |
| Bangkok      | fair   | 34 | Edinburgh  | showers | 2  | Istanbul     | cloudy  | 5  | Sydney      | fair    | 24  | Sydney      | fair    | 24  |
| Barcelona    | sun    | 13 | Jersey     | rain    | 17 | Jakarta      | cloudy  | 30 | Tangier     | sun     | 16  | Tangier     | sun     | 16  |
|              |        |    | London     | rain    | 12 | Jerusalem    | rain    | 11 | Tel Aviv    | rain    | 16  | Tel Aviv    | rain    | 16  |
|              |        |    | Luxembourg | rain    | 4  | Karachi      | sun     | 24 | Toronto     | snow    | 0   | Toronto     | snow    | 0   |
|              |        |    | Madrid     | fair    | 18 | Kuala Lumpur | sun     | 20 | Vancouver   | cloudy  | 7   | Vancouver   | cloudy  | 7   |
|              |        |    |            |         |    | Lima         | fair    | 16 | Vladivostok | rain    | 5   | Vladivostok | rain    | 5   |
|              |        |    |            |         |    | Lisbon       | cloudy  | 16 | Warsaw      | cloudy  | -6  | Warsaw      | cloudy  | -6  |
|              |        |    |            |         |    | Luxembourg   | rain    | 10 | Washington  | fair    | 8   | Washington  | fair    | 8   |
|              |        |    |            |         |    | Lyons        | showers | 5  | Wellington  | fair    | 23  | Wellington  | fair    | 23  |
|              |        |    |            |         |    | Medan        | fair    | 18 | Winnipeg    | fair    | -14 | Winnipeg    | fair    | -14 |
|              |        |    |            |         |    |              |         |    | Zurich      | showers | 4   | Zurich      | showers | 4   |



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# Weekend FT

A polished male voice informed passengers in the Concorde lounge at London's Heathrow airport that supersonic flight 01 to New York would be boarding shortly, then added: "We will now pre-board, all furs, minks and heavy top coats."

If Concorde remains the ultimate flying experience, it is also too narrow for a lady to display her furs as she walks down the aisle, and it is relatively uncomfortable. As Captain Jock Lowe, British Airways' director of flight operations observed: "It is not a fat person's aeroplane."

Once the furs and coats were boarded, the passengers settled into their seats for the 3 hour 28 minute flight at 1,350mph. Inside the cabin, there was a sense of anticipation. For although Concorde is today celebrating the 19th anniversary of its first commercial flights with British Airways and Air France, the aircraft

**Boeing 747s cannot offer the magic of supersonic travel. As a time machine, Concorde is unrivalled**

still manages to cast a magic spell.

Since its first flight, Concorde, like an ageing film star, has undergone several facelifts and overhauls. Now, the question is how long can the old bird keep flying, and, when it finally retires to the hangar, will a new supersonic aircraft replace it? The world aerospace industry is studying the development of a bigger second-generation supersonic aircraft with a longer range than Concorde. But so far no one has been prepared to take on the multi-billion dollar gamble. If it does go ahead, it is likely to entail international collaboration on an unprecedented scale.

Only 16 Concorde were ever built for commercial service. The British and French governments decided to abandon the programme in 1979 after the aircraft turned into an economic disaster. Ironically, the Americans, who had tried and failed to develop a rival to Concorde, turned their attention instead to the subsonic Jumbo. After a shaky start, the Boeing 747, which is also celebrating today the 25th anniversary of its first commercial flight, has

become one of commercial aviation's most spectacular success stories. More than 1,000 have been built. They have shrunk the globe and ushered in an era of affordable mass transport.

But for all its achievements, the 747 simply cannot offer the magic of supersonic travel. As a time machine, Concorde remains unrivalled. Last Friday, inside the cabin of Alpha Alpha, the same aircraft which made the first commercial flight 19 years ago, some passengers were off for a few hours of business in New York and then back again to London the same day. About 25 per cent of Concorde passengers use the aircraft for day trips. Around 70 per cent are businessmen or professionals, mainly men, who are prepared to pay the £2,500 one-way fare to New York to save time and avoid jet lag.

The rest are the very rich. "One American woman always travels with her mink and asks us to heat them up with her meal," explained Susan, the flight attendant - and the not so rich who have saved up for a trip of a lifetime. "We got 80-year-old grannies," said Captain Steve Wand, sitting in the cockpit as he completed the final pre-flight checks.

I had moved up from seat 1A, Lord King's favourite seat I was told, into the cockpit jumpseat. "If anything should happen on take-off, we evacuate from the side window," Captain Wand explained. "Mark, the co-pilot will drop a rope."

Concorde pilots are a special breed. They are part entertainers and public relations experts as well as enthusiasts and technical perfectionists.

There was intense concentration on the flight deck as the aircraft finally roared down the runway. After one minute of steep climb, the captain called out: "Three, two, one, noise."

The throttles were eased by the flight engineer as the engine afterburners were switched off to lower the noise level as the aircraft cruised over the west of England. The nose of the aircraft, dropped for visibility on take-off, was raised. Captain Wand blew it a kiss.

Once past the island of Lundy, the afterburners were switched on again, adding thrust to the four engines and taking the aircraft over Mach 1, the speed of sound, in 10 minutes. Concorde reached Mach 1.7 and the afterburners were cut again. After that, they were no longer needed as the increased airflow through the engine enables the aircraft to continue accelerating to its cruising speed of Mach 2. The magic continued. As the

aircraft burnt off its fuel, it floated upwards to its cruising altitude of 60,000ft, far higher than subsonic airliners. "If you see a jumbo below, it looks as if it is flying backwards," said Wand. Flashing through the sky, the airframe was "cooking" over 90°C rising to nearly 130°C on the nose. Passengers abandoned their champagne glasses and kept popping into the flight deck. The cockpit is now showing its age. It is all knobs and dials and none of the screen displays you find on modern Boeings and Airbus aircraft. When the afterburners are switched on, a smell of burning carpet fills

the flight deck.

"It's like driving a steam locomotive," said Wand. "You have to be old-fashioned to fly this. It's part of the fun. We have to do everything in half the time of a conventional aircraft. And if we deviate a fraction from the route, we would be miles off course. We are now doing 22 miles a minute." The day before, at BA's new Heathrow flight operation centre, Jock Lowe, who started flying Concorde exactly 20 years ago during BA's test evaluation of the aircraft, acknowledged that elements of the aircraft included some dated technology. "But as a collec-

tion of systems and components, it is still ahead of the game," he insisted.

It also remained a supreme achievement of the European aircraft industry combining the power and performance of a supersonic military aircraft with a commercial airliner's reliability and safety. "It was a 50-year leap forward in aviation."

The same brains in the US who put man on the moon could not come up with the technical solutions to make a viable supersonic commercial airliner," Lowe said.

Every Concorde has to undergo 22 hours of maintenance for every one hour of flight, more than three times the ratio for a Boeing 747 jumbo. Even so, BA has made good profits from its seven Concorde during the last 10 years, although profits exclude the depreciation charge on the aircraft's original £1.2bn development cost.

However, as the aircraft grow older, the cost of keeping them in service is rising. All of BA's Concorde have been given a six-month overhaul and interior refurbishment recently. Lowe is confident that there are the necessary spares to keep them flying for another 10 to 15 years, perhaps 20.

Since 1989, three BA Concorde have lost large sections of their rudders in

Continued on Page VIII

## Can the old bird keep flying?

Paul Betts asks whether the aerospace industry is prepared to gamble £15bn to build a son of Concorde for the next millennium



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NEXT WEEK  
The transplant surgeons' cruel hoax



Joe Rogaly

## Trying to figure it out

Demand is rising again for social statistics - 25 years old next week

Don't you just love statistics? They send some of us all a-quiver. They always have. It is 25 years since the publication by the British government of the first issue of *Social Trends*. "It is the most exciting volume I have had in my hands since the 1970 Annual Abstract of Statistics," I said in the FT at the time. "It is also... very saucy."

The latter remark arose from the numerical evidence of the early effects of the permissive sixties. By today's standards, nothing had happened. The first *Social Trends* revealed that in 1951, 55 per cent of mothers under 20 had produced babies within 8 months of marriage. In 1968 the figure was 56.4 per cent. We shall have to wait for the latest indications of what has been going on in recent years until Thursday, when volume 25 of this riveting annual appears. Last year's book told us that by 1992 nearly a third of births took place outside marriage, as against fewer than a tenth when volume 1 appeared.

That is what these number-crunchers do for you. They tell you how society has changed, in this case over the past quarter of a century. In a generally rare review of the first issue I noted that "nothing would be easier than to

tear it to pieces, from its trendy cover to its blatantly opinionated choice of numbers - one table, for example is devoted to 'occupations in which at least 10 per cent of men earn less than £15 per week (full time) and even if its big red lines are two years out of date the point of view behind its compilation cannot be misunderstood."

That pioneering issue was dotted with provocative tables and charts. They reflected the free-ranging interests of the then director of the governmental statistical service, Claus Moser - at the time a professor, now a sir.

The Conservative prime minister of the day gave his administration's chief statistician his head. "I shall behave like a knight in shining armour," said the then Ted Heath, promising Sir Claus freedom from interference. With Muriel Nissel, a fellow-statistician, the Moser machine invented *Social Trends*, producing a picture of society not previously available. It had its leftish aspects, but it was immediately useful, and hugely innovative. "You produce it," said the prime minister. "I shall embrace it." So did much of the rest of the developed world. Today many countries offer a clone.

Sadly, the insouciance of the early 1970s has been replaced by a sense of caution, an urge

not to be provocative. An article written by Mrs Nissel for next week's 25th anniversary issue has been rejected by Jenny Church, the present editor of *Social Trends*. The founding editor's views were too personal, Miss Church explained to me; Mrs Nissel believes it was because they were too political. Her piece will be published by the Royal Statistical Society.

**Social Trends has changed to reflect the change in what our masters wish us to think**

So far as I can gather, it has been kept out of *Social Trends* because it is critical of the effect of the cuts made to the government statistical service in the 1980s. The implication is that when *Social Trends* was reduced in size under Margaret Thatcher's sharp eye it lost some of its social relevance, although we shall have to wait to see whether Mrs Nissel says anything quite so bold. The annual she once edited is essentially a selection drawn from lengthy tables churned out by government departments. The devil

is in both the raw material and the editing. In the Thatcher years civil servants learned to watch their backs; what the departmental statisticians produced could affect careers.

"The very success of the publication," says Mrs Nissel, "has inevitably brought with it greater interest from ministers and from senior government officials." She characterises the dropping of her 1985 introductory article, shortly before publication, as "a disturbing example of interference". Not having read the offending 8,000 words, I cannot say who is right, but Miss Church must have been mightily moved, either of her own volition or after some persuasion, to take the obvious risk of excluding Mrs Nissel's remarks. The editor herself says that ministers see the book only after it is printed.

We must allow what could be a charming little squabble to develop in its own way. The important point is that *Social Trends* has changed to reflect the change in what our political masters would like us to think. During the 1970s a flick through the latest volume constituted sufficient research to back up articles demonstrating that the poor were worse off in every respect. They endured worse health, shorter lives, inferior education, and sub-standard housing.

The 1995 issue, I am told by a confident-sounding Miss Church, breaks down a number of its tables according to socio-economic groups. These include one about the economic activity of women, another on smoking habits, others on the highest qualifications attained, leisure, voluntary work, housing tenure, and household spending by category.

The 1980-90 books frequently change the variables chosen, taking different routes in different years. This makes it difficult to draw long-term trend lines. It is not quite what we got when helping the poor was in the forefront of our minds. Yet the demand for social statistics, dormant under the 1980s cult of the individual, is increasing again.

What Conservative politicians appear to want now is information about the social impact of policies they have invented, rather than graphs and tables that tell them where a need cries out. It is for this reason that they want to study the ageing population, unemployment, family breakdown, and crime. They should ask for more. "Every-one knows that the position of women is changing; few realise how quickly." The vibrant statistics in the first issue led me to that conclusion. We must hope next week's successor is as helpful.

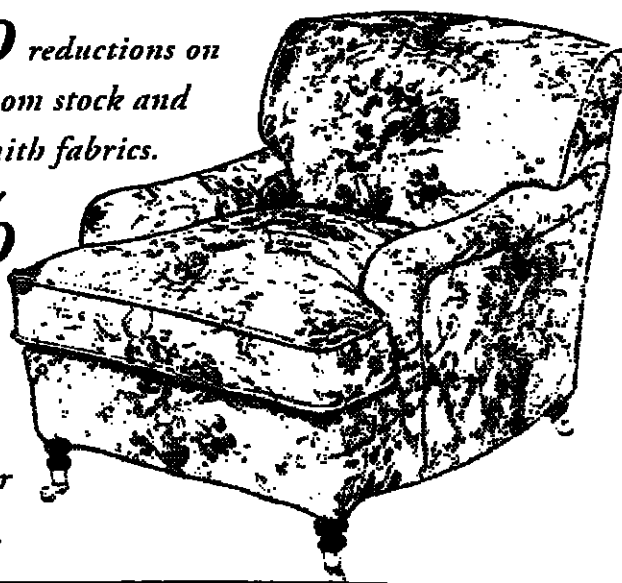
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PERSPECTIVES

Minding Your Own Business

# Stone maker finds profits in Bath

Two seemingly identical 6m square stone tiles sit on a battered coffee table in the reception area at the Farmington Stone Company in the Cotswolds. Underneath each a word is painted. One is "Farmington", the other "Limpey Stoke".

The fact that even experts find the two stones barely distinguishable is the key to the rise in annual turnover from £300,000 to £2m since the company was featured in Weekend FT in September 1992.

When the Farmington bosses John Barrow and Martin Robins described their material as "Farmington Bath Stone" the Bath

Stone Company at Limpey Stoke, Avon, threatened them with legal action.

All is now peace again. Experts have pronounced that, to all intents and purposes, the two stones are identical. The managements of the two companies are on good terms. The row gained coverage in the national press and both companies

reaped valuable publicity.

"Previously we found that if we called ourselves a Cotswold stone company - whatever that means - we never got a look in," said Barrow, 50, who owns 1,000 acres and much of the property in nearby Farmington village. "When people think of Cotswold stone they have an image of dry stone walls and

little cottages. But the word Bath stone conjures up images of the grand buildings of the city."

Farmington has gained a number of contracts from national house-building companies. At the beginning of this year it took on 10 extra staff in the quarry.

"Despite the worst recession to hit the building industry since the

war we have increased turnover fivefold in three years and profitability from all in mid-1992 to a steady 15 per cent over the past two years. We are aiming at 25 per cent profit," said Robins, an accountant.

He and Barrow attribute success to going all out to increase turnover, plus spending about 10 per

cent of annual sales on promotion.

In December 1991 the order book was empty and Barrow invested more than £1m in expanding the business. Borrowings were heavy because he was reluctant to sell assets. He is happy with the financial progress of the company.

"Through raising our profile we gained £1m - half our turnover -

from housebuilders," said Robins. "In the 1980s anybody could sell a house. In the 1990s house buyers have to have a good appeal, and natural stone provides this. Three-quarters of the stone we sell to housebuilders is facing material for exterior walls. The rest is seen stone for door surrounds, quoins and pilasters."

"Through volume promotion we have brought the price down to that of artificial stone."

■ *The Farmington Stone Company, Northleach, Gloucestershire GL54 3JZ. 0451 880280.*

Clive Fewins

# Long trials of a piano lover

Clive Fewins on an entrepreneur who has fought to keep going

I an Alderman was 30 and had just been told he was unemployed when he walked into the London basement piano workshop of Arthur Johns. He would do anything, he said - making the tea, sweeping the floor - provided Johns, then well into his 70s, would employ him.

But there was no job. Johns said the two functions in questions were already performed by his two assistants, Bert Clitheroe, 82, and Jack the polisher, 80.

However Bert and Jack prevailed upon Johns. He took on Alderman, who for £10 a week became the fourth member of the team. At last, Alderman, who had just spent 12 years in and out of mental hospitals, suffering from schizophrenia, felt wanted.

"I was being taken seriously for the first time in my life. Very quickly I was also offered friendship," said Alderman, who is now 55 and a successful organ builder. "What is more, Mr Johns came to see me as the son he didn't have. I was no longer regarded as an unreliable lunatic."

His meagre earnings enabled Alderman to rent a room in Covent Garden. His life of washing up in Wimpey bars came to an end for five happy years and he learned the trade he had wanted to follow since the age of 11 - restoring musical instruments.

"I was given a gramophone when I passed the 11-plus. It was a rare act of generosity by my father, who beat me cruelly," Alderman said. "I bought a 78rpm recording of Bach's Italian concerto played on a harpsichord and decided on the spot that I wanted to make instruments like this."

Alderman says he is a "very bad" pianist and did not learn to play the piano for many more years. However, he learned his craft sufficiently to be able to set up in business on his own when Johns retired aged 77. He rented a ground floor room with a shop window from a signwriter in Islington and found himself inundated with old pianos that people were happy to give away.

"In the mid-1970s dealers did not want old pianos if they were not pretty and could not be turned into writing desks,"



Putting in all the stops: Ian Alderman with one of his organs at his home and workshop in Dorset

Alderman said. "The most I paid for a piano that I restored was £5."

Life was still tough. In order to earn enough to pay the rent Alderman also traded in second-hand books and did more night-time washing up in a Wimpey bar at the top of

Shaftesbury Avenue, London. Gradually, however, a realisation that he was able to survive on his own and without medication. In spite of the trauma of a brief marriage and divorce he acquired confidence in himself and for £4 a week rented a handsome but

desperately rundown 1720s town house.

Thanks to the Broadwood piano company, which supplied him with business, and a helpful Bandys manager ("he wouldn't let me get into debt - they don't have managers like that any more"), Alderman

managed to earn enough to live on, while remaining below the income tax threshold. He soon found himself with a new landlord, Islington Borough Council, which had taken over the property from the Greater London Council and reversed a decision to demolish it. He knew there might be a chance to buy the property if he sat tight, and when in 1979 the opportunity arose he borrowed £5,000 from his older sister and bought it.

By this time Alderman had gained a place at Southampton University - he had passed his A-levels while in a mental hospital at Coulsdon - to study English. So he let out his property and with a loan from a friend bought a small Victorian house in Blandford Forum in Dorset. He commuted from there by motorcycle to Southampton. Eighteen months later he sold the Clerkenwell house for a profit of £20,000 after he had cleared the two house loans.

He graduated in 1982 and sold the Blandford Forum house in 1984 for £30,000. This, together with a long-term loan of £5,000 from his friend Roy Davis, meant he had the funds for the £15,000 purchase and £30,000 conversion of the Victorian parish church in the village of Chedington near Beaminster. He turned it into a workshop and home where he and Davis live.

"Before leaving university I had been told by the careers guidance staff that at the age of 43 there was little chance I could get the sort of job I fancied in the museums service. So as I did not want to spend the rest of my life in Blandford on the dole, and I had been doing some clock restoration and a little piano work while at university I decided to start afresh on my own," Alderman said.

"I had to spend about £10,000 on woodworking machinery but was aided by a £2,000 grant from the Council for Small

Industries in Rural Areas - now the Rural Development Commission."

Alderman resolved to concentrate on barrel organs and street organs. Barrel organs operate by means of wooden barrels with metal pins that activate the valves that blow the organ pipes. He stored organs in a paper roll with keys performed in it, thus the same thing.

With the help of friends, Alderman developed a barrel pinning technique that he considered the best in the world. He still did some harpsichord work and the occasional piano restoration for old contacts in London. By 1989 he was well into profit.

It was then that tragedy struck. In 1989 Alderman was suddenly attacked in his garden by a man who was visiting the village. The assault left him with a neurological disease that has severely affected his eyesight. He has had long spells in hospital and is no longer able to drive, nor to do the meticulously close work needed for barrel pinning.

A couple of years ago he switched to making small street organs, and earlier this year for an outlay of about £2,000 a group of friends created a piece of computer-controlled machinery that enables him to punch out 10 rolls of street organ music at a time. Like gramophone records, they will play on many types of street organs and there are many markets for them in Germany and the US.

Alderman sits at the piano, arranges music for the organs and then keys it into the computer using a special program. He does not know how much longer he will be able to do this as his eyesight is deteriorating. But he has invested in the future by spending £1,200 on a new computer.

"Four years ago I was turning over about £30,000 a year and doing quite well. Now I am turning over about £18,000 and surviving," he said. "But I have great plans. I believe I am still capable of making 10 to 12 street organs in a year selling at about £2,500 each. It is all just beginning - to come together and I am doing what I really always wanted to do - running my own business as an instrument maker. Despite my health I don't feel inclined to stop now..."

■ *Ian Alderman, organ builder, Old St James, Chedington, Beaminster, Dorset DT9 3HY. 0835 891437.*

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## The Nature of Things / Andrew Derrington

# A matter of taste

The sensation of taste presents a strange paradox. The sensation itself results from a crude chemical analysis of what we put in our mouths, carried out so that we know whether or not to eat it. But the results of this analysis exert a formidable control over our imaginations.

Let anyone who doubts this control read Proust's description in *Remembrance of Things Past*, of how the taste of cake dipped in tea re-awakens vivid memories.

In contrast, scientific work on taste shows it more as the controller of the gateway to the digestive tract. It analyses what we put in our mouths to ensure that we swallow nourishing food and spit out poisons. But to carry out this simple function taste sensations must control behaviour in a very basic and powerful way, by providing the motive force that compels us to act, not just to eat or to reject food but perhaps to endure danger in obtaining it.

Work carried out by a team led by David Booth at Birmingham University shows that taste sensations also control behaviour in more subtle ways, influencing our choice of food in accordance with our day-to-day nutritional needs. Rats (and humans) feed a low protein breakfast will prefer to lunch on foods whose taste identifies them as high in protein. Chronic salt depletion caused by Addison's disease makes salty foods more palatable.

There are two different aspects to the analysis we make of our food. One is to check whether it is obviously poisonous or highly edible. The

other is to identify the flavour precisely, so that we can recognise it again.

Sensations of smell contribute about 90 per cent of the taste of food according to Steve Van Toller, of the University of Warwick, as anyone who has a heavy cold will confirm. The mouth provides only the basic sensations of salt, sour, bitter and sweet.

Each of these elementary sensations is produced by the action of chemicals in the food on a different type of sensor cell located in the taste-buds that line the surface of the tongue and other parts of the mouth.

Chemicals act on these sensor cells in exactly the same way that chemical messengers act on nerve cells in all parts of the brain. The surface of the sensor cell is lined with receptors that line the surface of the tongue and other parts of the mouth.

Some of the chemicals that elicit taste sensations are very simple - sourness is triggered by the combination of hydrogen ions, which determine acidity, with a receptor on the cell surface. The hydrogen ion, a single proton, must be the smallest biologically active chemical entity.

The way the basic taste sensations contribute to our survival seems obvious. The saltiness (sodium content) and acidity of foods must be checked. Bitterness is triggered by chemicals that resemble plant alkaloids, which are

potentially poisonous, and sweetness is triggered by foods high in energy. So our innate liking for sweet foods and aversion to bitter ones are basic survival instincts. They lead us to maintain our energy input and to avoid poisons.

However, we would not survive for long tasting everything we can fit in our mouths and only then deciding whether to swallow it or spit it out (although small children seem to do remarkably well on this strategy). Booth's group at Birmingham has shown that we learn to associate the sensory properties of food - its colour, texture and smell as well as its taste - with its nutritional effects.

One aspect of this monitoring of the after-effects of food is the strong aversion to a distinctive food that arises if we vomit hours after eating it. One bad experience can produce a lifelong aversion.

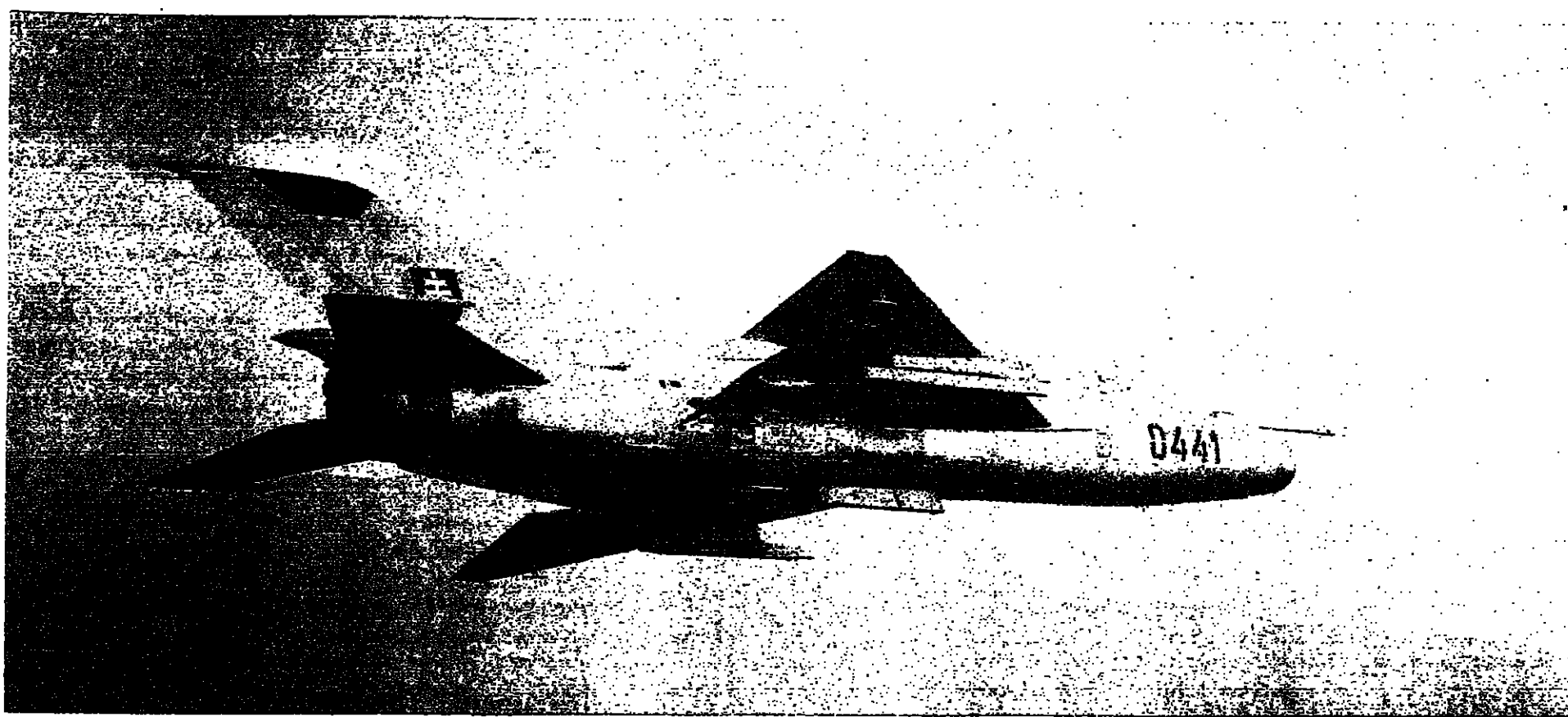
The effects described by Booth's group are much more subtle. We learn, just by eating a distinctive food, whether or not it is high in protein. Later, after a low protein meal, we eat the high protein food in preference to other equally palatable possibilities.

Just shows that we learn not just what is in food, but what food we need. The learning is very rapid; two experiences of a novel food are enough to teach us what we need to know. These strong links between taste and learning, memory and the control of behaviour may be the reason that taste seems to catch our imagination more than any other sort of chemical analysis.

■ *The author is professor of psychology at the University of Nottingham.*



PERSPECTIVES



High-speed holidays: the Slovakian airforce keeps its MiG aloft by charging joy-riders

# Holiday to put jet set in a coma

Keith Wheatley wanted to be in Top Gun. In Slovakia, for \$8,000, he got his chance in a MiG21

Slovakia and the green foothills of the Tatras mountains are surprisingly lovely. However, when the view is slipping past at 500mph and one is low enough to see the cows' startled faces as the MiG21 rockets over them, more precise Nature Notes are impractical.

As we climbed through the snow-covered peaks of the High Tatras I did notice a small chamois-like deer flee from the roar of the jet engine but just then Lt Col Frantisek Zsoldos put the fighter into upside-down mode and I passed out for a moment or two.

It was painfully hot in the rear cockpit, sitting "astride" a large jet engine. An electric fan sat to the right of the instruments but I could not remember which switch controlled it. At the previous day's ejection training, we neophytes of the International Fighter Pilot Academy had been given chapter and verse about what not to touch, on pain of being blasted from the aircraft on a rocket-powered armchair. (In Russian, the working language of the Slovak Air Force, ejection is "vystupeniye", a most gratifyingly onomatopoeic word.) It all seemed clear at the time, less so once airborne.

Adventure holidays are the boom sector of the leisure travel industry. And adventure does not come much meatier than flying in a jet fighter. Until recently it was impossible unless you were young, fit and willing to wear a military uniform for 20 years. Much has changed.

"I can't believe I'm doing this. Honey can you take some photos," said Carol Pembroke, a 62-year-old grandmother as she handed the camera to husband Bill, and climbed into the cockpit of an L-39 Albatros, an elegant advanced jet trainer built in the Czech republic.

Carol was no simple joy-rider. In the company of an SAF instructor, she would be flying the Albatros in simple airfield circuits. Five years ago Bill gave her flying lessons as a birthday gift, now she has her own single-engine Piper Aero at home in Sydney and admits "aviation is a drug".

At around \$8,000 (£5,100) for a four-day course, excluding travel to Bratislava or Budapest, the chance to play Top Gun does not come cheap. When the hardware is a MiG29 "Fulcrum" worth around \$30m, which takes around 70 man hours of maintenance per mission and gulps 80 litres of fuel each minute when on full after-burner, one can understand why the bills are high.

Tom Orsós, an Australian businessman, created the IFPA in partnership with the Slovak Air Force. When a business deal stalled three years ago a Slovak creditor who knew of Orsós's passion for flying offered him a MiG21 in payment.

"I said 'yes' but after three weeks of agonising, I turned down the aircraft," said Orsós, a boyish 33, who likes nothing better than to hang around the pilots' mess in a flying suit. "I knew that with a MiG in Sydney I would probably kill myself in a week. It would also have been a nightmare in terms of maintenance and training."

As a substitute, Orsós asked if he could visit Slovakia and take a few spins with the air force. It occurred to him that other aviation buffs might share his obsession. Orsós sold his concrete business and took off for the "wild east". Which is how our course found itself

at Sliac military air base, 120km north of Budapest.

Sliac was the main fighter base covering central Europe for the Soviet air force. When the Kremlin pulled out four years ago, they left a ghost town and a lot of hardware as a form of reparations. Yet how many expensive jet fighters does a country the size of Slovakia (population around 4m) need? How many can it afford to run. Dozens of MiG21s sit rusting at the sides of the main runway. Enter IFPA.

"We're here to give you a taste of what the lives and careers of fighter pilots are like. You have the status of trainee pilots in the SAF," said Orsós at our initial briefing. "You'll sit at the officers' mess, and obey all instructions from military personnel."

"It's not a Top Gun movie and this exercise is not about joy-rides in expensive aircraft."

Of course, he is wrong on both counts but it makes everyone feel better about this totally indulgent exercise if we can act like Tom Cruise on a mission. I encounter Major

Casbo Casbo, 48, a huge man in mirror aviator shades, flying suit and totally cool leather boots laced up his shins. He reminds me irresistibly of Robert Duvall in *Apocalypse Now*, playing the American air cavalry officer who "loved the smell of napalm in the mornings". It turns out that Casbo, an American citizen, flew F4 Phantoms from US Navy carriers in Vietnam; 80 missions being shot at by exactly the kind of MiG21 he is now leaning against. Casbo earns a good living flying Boeing 727 charter jets but when finances and vacation time permit he comes to IFPA for thrills.

"Thirty minutes in a fast jet can be more physically demanding than 12 hours flying a civil airliner across the Pacific. There the problem is mostly to stay awake," he says.

I have been warned about the forces which are going to hit my body as I strap into the rear seat of the MiG. A steeply-banked turn in a MiG21 flying at 500mph turns the cranium, weighing the male average of around 4kg, into a 40kg bag of cement sitting on one's shoulders. The bones and muscles of the neck become subjected to enormous loads. Career fighter pilots develop the kind of extremely powerful neck muscles normally only found on weightlifters.

A fairground roller-coaster can provide a mild taste of the gravitational forces pilots are subjected to. Momentary loads on the body of up to 2G give most customers the enjoyable sensation of being pressed back in their seats, briefly helpless. However, as a state-of-the-art jet rolls and loops, the speed and angle can combine to create forces of up to 10G on the pilot.

Something that weighs 5kg on the ground will weigh 50kg at 10G. One's arm becomes too heavy for even the biceps to move. Far more important than mere discomfort, however, is the way G-forces change the way blood flows. It tends to pool in the lower part of the body. "It becomes far, far harder for the heart to pump it back around the upper torso and head. If you did nothing about it, you'd black out very quickly as the brain became starved of oxygen," said Dr David Anton, a former RAF doctor who gives every IFPA participant a medical before they set off for Sliac.

During my flight in the rear seat of a MiG21 flown by Zsoldos, a 20-year veteran with the



Remind me, which is the ejector seat button? Keith Wheatley is briefed

Slovak Air Force and the SAF's chief display pilot, we pulled up to 7,500. I am not ashamed to say that I was completely unconscious during at least one sequence of acrobatics designed to impress me. Yet the man in the front seat, was able to fly, control and, if need be, fight this delta-wing projectile while his reasonably fit passenger (at 42, exactly the same age as the pilot) was a

comatose, immobile heap in the rear seat during the most gruelling parts of the flight.

Experienced pilots learn to recognise the G-symptoms. First, eyesight turns to monochrome, then vision blacks out while still conscious. The last stage is total unconsciousness. Without counter-measures, at 4.5G the arterial blood-pressure within the brain falls to zero.

To help fighter pilots handle



Ready for take-off: Keith Wheatley climbs into a MiG21

routine loads of up to 10G they wear "G-suits" and learn the "grunt manoeuvre". This can only be described as identical to sitting on a lavatory and trying to cure acute constipation by brute force. Group training sessions are even funnier than ante-natal classes.

I was as glad as I have ever been to get back on the ground. Zsoldos was grinning from ear to ear. What do these

highly skilled pilots get out of taking civilians for rides. I asked Orsós.

"Our money pays for fuel that they wouldn't otherwise get. It adds up to more hours in the air," he explained. "Speak to any fighter pilot, whether they're in the US Navy or the Royal Air Force. All they want to do is fly. Nothing else matters to them."

## A rival to Lascaux

Andrew Jack reports on one of the great archaeological discoveries

Accessible only through a tiny hole in a gorge in the Ardèche region of southern France, is a newly-discovered underground grotto containing works of prehistoric art which are likely to prove of immense interest to archaeologists.

This week, the French government announced details of one of the most significant finds in the country for many years: a network of tunnels and caves 500 metres below the surface with walls lined by 300 extraordinarily well-preserved and high quality prehistoric paintings, and a similar number of engravings and signs.

Those involved in the preliminary study of the pictures, in an area called Combe d'Arc in the Vallon-Pont-d'Arc region in the extreme south of the Ardèche, claim that the find is of worldwide importance and is at least as significant as the famous cave painting sites at Lascaux and at Altamira in Spain.

Painted in black and red on the walls of a series of galleries and caverns - one measuring 70 metres by 40 metres - are dozens of animals including lions, horses, wild cats, reindeer, bison, panthers, aurochs, mammoths and ibex. Some are alone, others in herds or portrayed fighting one another.

Alongside are a number of signs and symbols, and impressions of human hands. The caves also contain animal tracks, the skull of a bear, and signs of human habitation including hearths, flints and torches. There are even deposits of iron and manganese oxides used to produce the paintings.

The discovery came by accident last month, when two amateur speleologists, accompanied by the regional archaeology agent for Ardèche region, came across caves on December 18. They cleared a tiny blocked passage by hand, and explored further before coming across the caves containing the paintings on Christmas eve. Since then, specialists have visited the site several times to begin documenting the contents.

The Orgnac-Aven region in the Ardèche is already well known for prehistoric discoveries, including 15 sites of "decorated grottoes" and an archaeological museum which receives 130,000 visitors a year.

The new discovery was kept secret until now to ensure that the site could be sealed off. The necessary legal work was completed last week, security measures have been installed and climatic controls are currently being introduced to control temperature and humidity in the caves to keep the paintings

well preserved. "I am extremely moved. These discoveries will provide an exceptional object of study for archaeologists," said Jacques Toubon, the French minister of culture. He pledged that they would be protected for posterity, subject to intense scientific study and to a programme of documentation and publication to allow a wide audience to appreciate them as quickly as possible. Direct access to the public is unlikely for many years while this work continues.

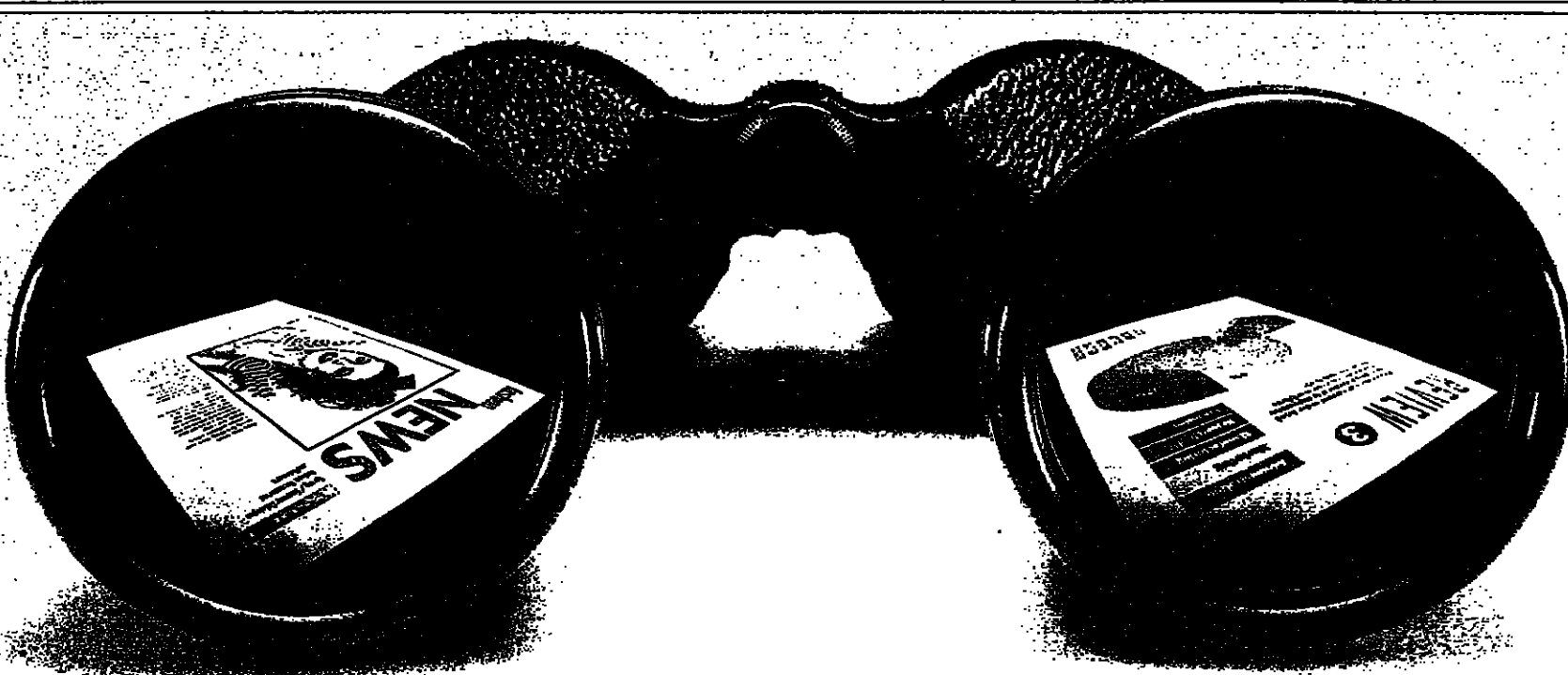
Even the specialists were impressed. Genevieve Martin, a member of the Rhône-Alpes archaeology service who has been working on the discovery, said: "We have a bestiary infinitely more varied than in other sites and above all with a standard of drawing which is extraordinary and of great quality."

The paintings are remarkable in a number of ways. First, they are so ancient. While dating techniques using the soil and carbon in the caves has not yet been undertaken, they have been provisionally dated on the basis of comparison with other sites at between 18,000 and 20,000 years old. Equally, they are well preserved, because they appear to have been sealed off and undamaged for thousands of years.

They do not have the multiple colourings of some other cave paintings - all are in either red or black - but they are for more numerous and varied, and their artistic quality is nevertheless extremely high. They have been painted with impressive use of perspective and meticulous detail so that most of the animals portrayed - and even their gender in some cases - are identifiable.

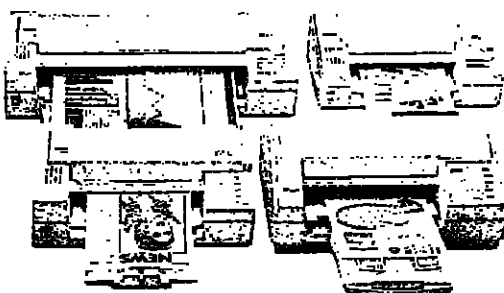
Jean Clottes, an expert on prehistoric art in France, said he believes that they may have all been painted by the same artist, or at least his "school". He said he had a "fantastic aesthetic shock" when he first saw the site. "It seems this grotto is the only intact decorated network we have discovered from the paleolithic period. It totally turns upside down our understanding of prehistoric art."

In addition, the paintings could significantly change current understanding of the type of animals and their patterns of activity during the period. For example, they portray rhinoceros which have been rarely seen elsewhere, panther and owls not portrayed anywhere else in prehistoric paintings, and representations of hunting patterns different to those found in other sites.



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## TRAVEL

# Ladakh – a land of higher mortals

Nick Haslam gets acclimatised to altitude in order to travel over three separate ranges of the Himalayas

When the first aircraft landed in Ladakh in 1974, they say that terrified Ladakhis rushed to offer grass and fruit to the metal monster from the clouds. Twenty years on, the sight of the daily Airbus winging up a valley so narrow that its wingtips almost brush the rocky sides scarcely raises an eyebrow.

Ladakh is about the size of England and has a population of 140,000. It is a narrow peninsula of Indian territory sandwiched between Pakistan and China and occupies the western end of the Tibetan plateau. Until the airstrip was built, it could be reached by roads open for only three months a year. The capital, Leh, at over 10,000ft, is one of the highest towns in the Himalayas and its thin mountain air can produce splitting headaches for those just off the aircraft, an hour from the soupy atmosphere of Delhi.

For us, it was the lowest point on a journey that would take us over some of the highest passes in the world. Following three days of altitude acclimatisation, we were to head south to Himachal Pradesh on a road that hairpins over three separate ranges of the Himalayas before plunging down to the plains.

After two days of exploring Leh, a pretty town surrounded by a patchwork of carefully tended fields straggling along the Indus valley, I decided to visit the nearby monastery of Tikse.

The Ladakhis are an intensely spiritual people, and the valley sides were lined with long walls of sacred stones engraved with Buddhist prayers. As we drove by the grey Indus, swollen with melt water

from the glaciers above, the taxi driver told me that he was Tibetan. "I left when I was five in 1963. The Chinese invaders killed my auntie and my father, and so we walked out," he said.

He and his mother had taken seven months to cover 250 miles over some of the highest mountain passes in the world. "That was 30 years ago," he said, "but I still dream of going back."

The monastery of Tikse stands high above the Indus. Monks, undisturbed by a chattering group of Italian tourists, chanted in the dark temple before a large gilded Buddha. I climbed to the roof and looked down the Indus valley to the Himalayas. A summer storm swept the peaks, covering them in skeins of silver rain shot through with rainbows from the sun behind. Suddenly, a low rumbling echoed out down the valley. Two young monks on the roof beside me were blowing huge horns balanced on the parapet. I took a picture, and one came over to me, bearing a piece of paper. Was it, I wondered, a special prayer, or a celestial recognition of my own intense spirituality? In graceful handwriting I read: "Please send photo to Lama Skalzang at Tikse."

At dusk, I hitched back up the valley to Leh. A Jeep with a monk in yellow robes and a girl in a sari drew up. As we jolted along the pot-holed road he told me that he ran a school for children who live in the remote valleys of Ladakh. He was a swami, or leader of a meditation order, and in three weeks would leave for the high Himalayas to go into a solitary retreat for five months.

Would it not, I wondered, be a bit cold and lonely?

"No," he said. "I am looking for-



Making the high road: workmen at 15,000ft in Ladakh

ward to it. It will be far easier than the outside world." Proving his point, the Jeep ground to a halt and as night fell we pushed and shoved the recalcitrant beast for an hour before admitting defeat. I then realised that the swami had fallen behind. In the gloom came the sound of heavy breathing and the flapping of sandals. "I can hear him, but I can't see him," I said to Sawasati, the sari-clad teacher who worked with the swami.

"Just like God," she replied. For a moment I thought she was serious, but a lovely smile split the darkness and we both collapsed into giggles as the swami breathlessly hove into view.

At dawn next day, we left Leh in

a sturdy bus and began the long climb to the first pass. At this altitude, the colours were extraordinarily strong, and the high snow-capped peaks of the Himalayas almost seemed within touching distance. Below, steep ravines plunged vertiginously towards a distant thread of river.

The unsurfaced road was narrow, and occasionally our bus would edge past an oncoming truck with inches to spare. I stopped looking down after seeing the wreck of an army truck spreadeagled far below.

At three in the afternoon we reached the Tanglangla pass at 17,500ft. A road sign said: "You are passing through second highest pass in the world." I bounded off

the bus, eager to escape its confines, and headed for a vantage point. Almost immediately, a metal band tightened around my head, and laboured lungs warned me to slow down. Punting like a traction engine, I waddled to the cairn. Below, eagles swung lazily over a deep valley, bare of vegetation, bounded by snow-capped mountains that went up to over 20,000ft. The view would, if I had any left, have taken my breath away. A member of the group, light-headed with the altitude, could only whisper: "I hope it's raining in Wolverhampton."

We crossed one more pass that day, at a paltry 16,500ft, and entered the state of Himachal Pradesh at a

tented police camp before swinging down along the lush green Lahul valley. We stayed for the night at the mountain village of Kalong, in a small hotel surrounded by beds of hollyhocks and geraniums. This valley is only open to the world for three months a year, and family groups worked hard getting in the harvest before the first snows in September.

We climbed on foot to a nearby monastery and peasant women in embroidered tunics shouted greetings as they worked, offering pods of fresh peas for which the valley is famous.

On the fourth day, we came to the final pass, the Rohtang, at 10,500ft. Below, the valley leading down to

Manali and the plains beyond was covered in thick monsoon clouds. Indian tourists who had come up to the pass for the day posed for photographs and shivered in the cold.

Slightly above, at better veterans of the high passes, we drank our last sweat tea from a roadside stall, and then climbed into the bus for the final time, to begin the tortuous descent down through the clouds to the oxygen-rich land of lesser mortals below.

**Nick Haslam flew to Delhi c/o British Airways. Apes returns start at 1700. The "Little Tibet" holiday was organised by Exodus, 9 Weir Road, London SW12 6LT. Tel: 001-673 0250. Cost, including two days in Delhi: £1,300.**

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TRAVEL

# Ghost founder of a ghost town

John Westbrooke has a haunting experience in California

**G**oodbye God, I'm going to Bodie," a little girl is said to have written in her diary a century ago, on hearing that her parents planned to follow the gold rush.

Bodie today is a ghost town, one of the most haunting in California. Then, it was a boom town. By 1880, after gold was discovered nearby, 10,000 people had arrived to hunt for it. Though the main veins soon petered out, \$100m worth was mined by the end of the century.

The town's reputation was fearsome, even by Wild West standards. It had its own Chinatown, a red light district (Beautiful Doll and Madame Montague were the ladies to see), and 85 saloons. Killings were a daily occurrence. The "Bad man from Bodie" was one of the most notorious names in the west; it can have been little consolation to know he was a composite rather than a real man.

The townsfolk made attempts at gentility. The town had been founded by Waterman S. Bodie; they changed the spelling to make sure everyone pronounced it properly. Masquerade balls and baseball matches were held, banks and masonic lodges and even churches opened. What the little girl really wrote, a newspaper editor insisted, was "Good! By God, I'm going to Bodie!"

But the mines closed, the people left, and fires in 1892 and 1932 killed Bodie. About 150 of its buildings remain, administered as a state park and kept in a state of "arrested decay". It lies on an unpaved road (which is Californian for "nowhere"), in the hills west of Bridgeport off Highway 395. The setting is bleak: hot and dry in summer, inaccessible during winter snows. Only gold could make anyone live in a place like this.

Scattered around the site, mellow wooden buildings still stand, some with the help of large props. The best house in town, with an elegantly glazed porch, belonged to lumber merchant Jim Cain. Many other, less grand ones are just this side of tumbledown. Inside them all, wallpaper peels, timbers creak, and the dust of decades lies undisturbed. Only the town museum, dis-

playing the fading bric-a-brac of everyday existence, is a reminder that this was once a living town.

Not many gold rush towns work quite so well. Calico, near Barstow on Highway 15, has a similar history, but it was taken over by the people who built the Knott's Berry Farm theme park in Los Angeles, and spruced up just a little - more like a film set of a ghost town than a real one.

Other towns never did fade away. John Sutter, a Swiss immigrant, built an adobe fort near the Sacramento river in 1840. In 1848, one of his carpenters, James W. Wicks, found gold on Sutter's property at Coloma, and the great rush of "Forty-Niners" began. Sutter was ruined as his men caught gold fever

**If you want to hunt for gold yourself, there are plenty of old tales to follow up**

and vanished. Squatters took over his land but the settlement round the fort, Sacramento, flourished and became California's capital.

The appearance of the 19th-century town is preserved in Old Sacramento, several blocks of buildings by the river, brightly restored and inhabited by restaurants, museums and souvenir shops. It feels like a charming clapboard Covent Garden: you can sit on shady verandahs and watch tourists driven round in horse-drawn buggies.

By 1852, the population of the Mother Lode country, the 150-mile strip where most of the gold was had shot up from 500 to 100,000, mainly male. At first you could pick the metal off the ground; later prospectors had to work harder, often in deep-shaft, hard-rock mines. In the end, \$800m in gold came from the land.

Place names still on the map - many of them along Highway 49, named after the year - hint at the old days: Rough and Ready, Panamint, Second Garrote, Chinese

Camp, Quartzburg, Copperopolis.

Other towns still functioning and worth exploring include Nevada City and Placerville (formerly called Old Dry Diggins and then Hangtown), where you can visit the Gold Bug Mine. The Marshall state park at Coloma, commemorating the first gold find, contains Marshall's grave; and a whole gold rush town has been restored at Columbia state park near Sonoma.

And if you want to hunt for gold yourself, there are plenty of old tales to follow up - the Lost Pegleg Mine, Cody's Lost Ledge, the Lost Spanish Mine. Take your pick.

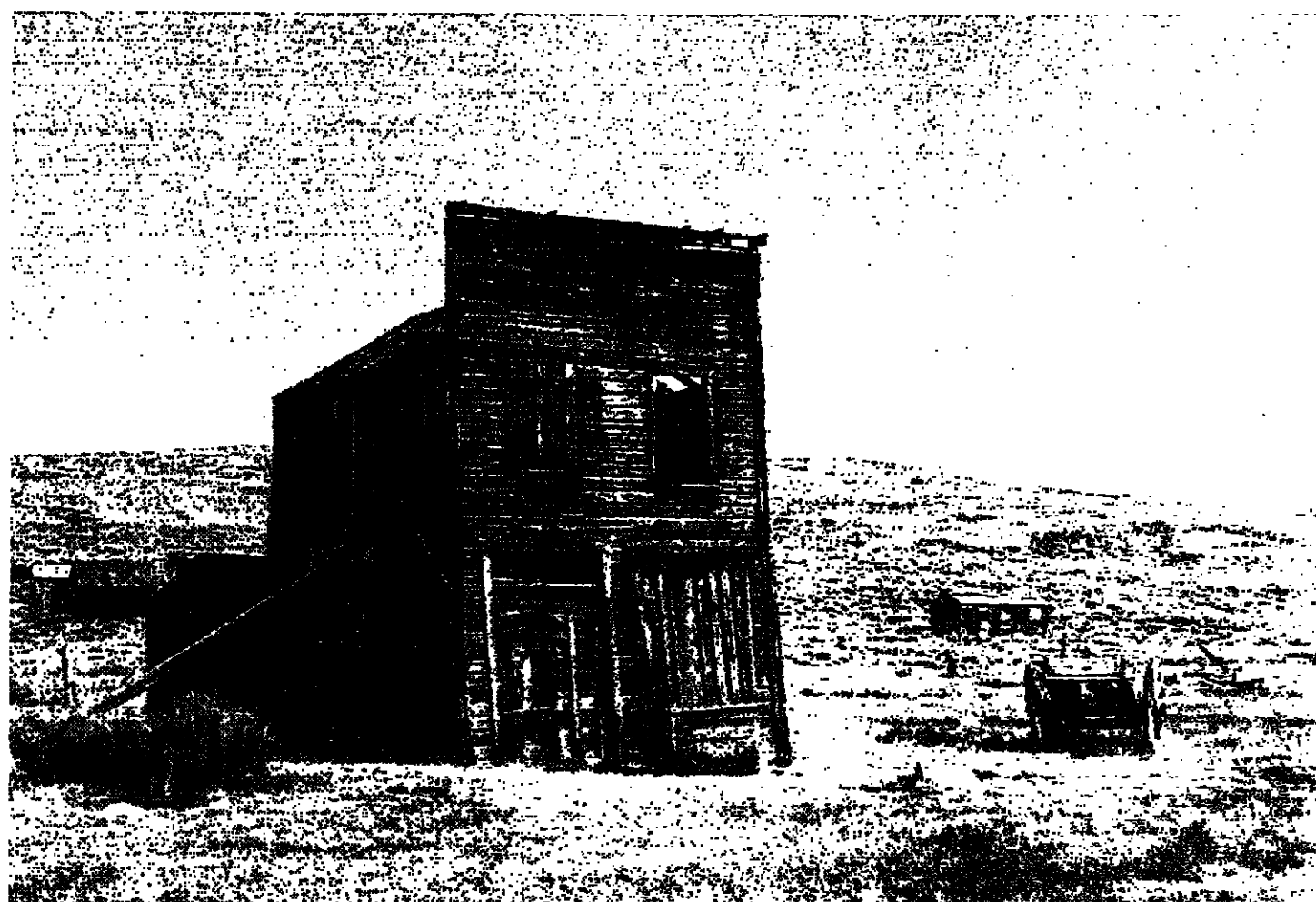
Further east, over the Sierra mountains in what is now Nevada, some disgruntled diggers in 1859 discovered only a messy, blue-grey mud. This, it turned out, was the Comstock Lode, a huge vein of silver. Around it grew Virginia City, at one time the biggest town between Denver and San Francisco.

Today it is a fine example of the lived-in frontier town. Many of the buildings along C Street bear traces of signs painted a century ago but now house gift shops, museums and saloons: the Red Garter, the Silver Queen, the Bucket of Blood. This being Nevada, you may still gamble away your profits there.

For light relief, miners could visit opium dens or Madame Julia's establishment. When she was strangled, every man in town went to her funeral. When the man who did it was hanged, the women attended his. Sometimes townsfolk could watch captured bears fight bulls. The bulls thrust up with their horns, the bears struck down with their paws - hence, people say, the directions of the markets named after them on Wall Street.

But there are also Victorian mansions, an Italianate court house, an opera house where Lillie Langtry performed, a newspaper office where Mark Twain started out, and several churches, most notably the white-towered St Mary's in the Mountains. This city too was a respectable place, some of the time.

Under it was another city, 750 miles of tunnels; you can glimpse them in the Chollar mine at one end of town. This was mining on an unprecedented scale. New methods of timbering had to be invented.



Top: the propped up remains of a derelict hotel. Below: Bodie's fearsome reputation is but a distant memory

Huge amounts of ice were used to counter the 140 degree heat in the pits.

The miners were comparatively well paid - they had the first miners' union in the country - but the owners were far wealthier: the Hearst family was among those to find a fortune here. Over 50 years,

\$400m in silver was produced, and Virginia City claimed to be the richest place on earth.

As usual, the money went to all the wrong people. Most of the thousands who came west in search of riches found none. They had "seen the elephant", as they called it - been there, but been disappointed.

Henry Comstock laid bogus claim to the silver lode named after him, and got away with it for a while before killing himself. John Sutter was still trying to get compensation for his lost lands from Washington when he died.

As for Waterman Bodie, he lay in a lone grave until 1879 the towns-

folk of Bodie decided to honour him with a proper memorial. They sent off for a monument, but it took two years to arrive, finally turning up just after President Garfield was assassinated. So they inscribed it to Garfield instead, and Bodie's grave remained unmarked until 1957, ghost founder of a ghost town.

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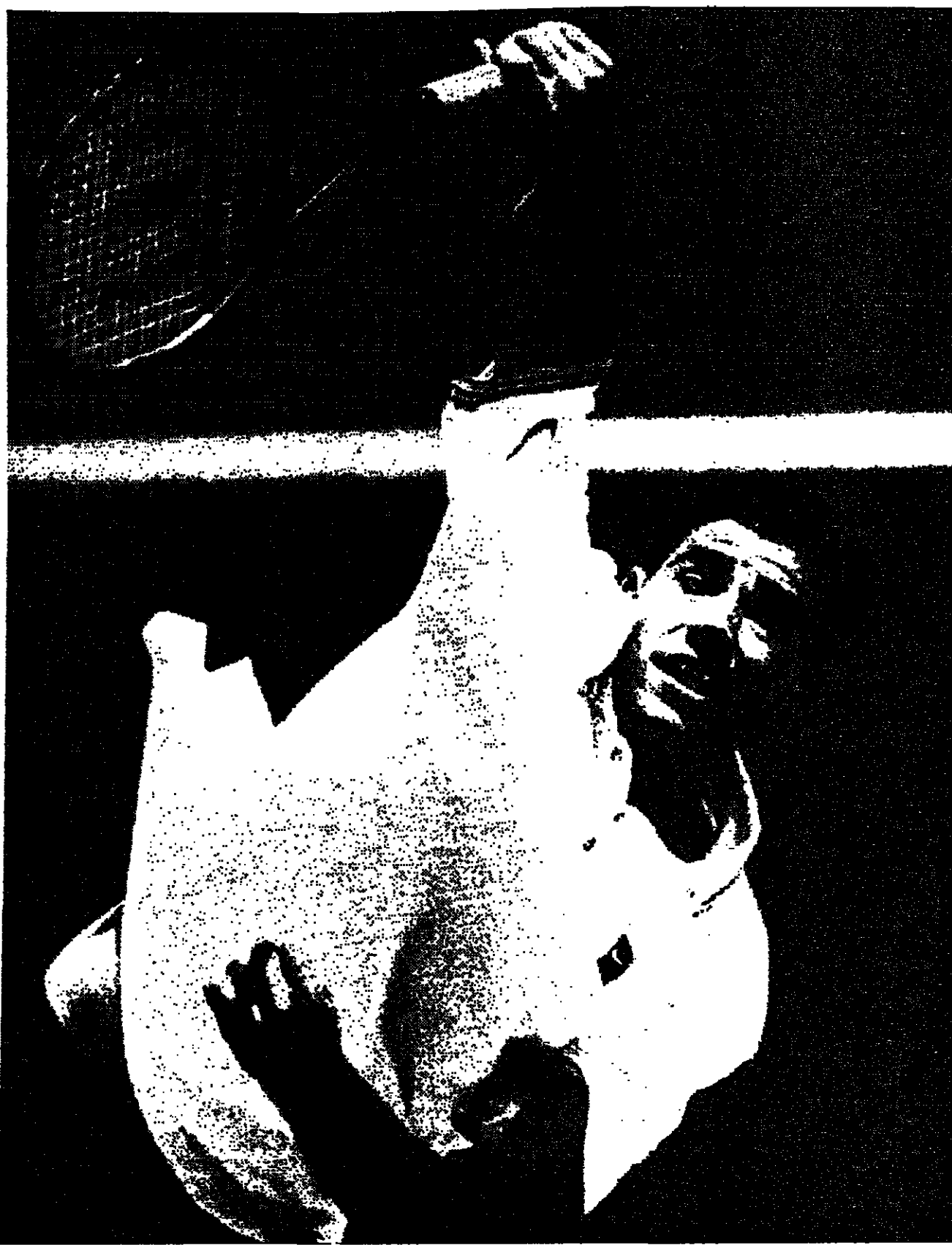
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## SPORT



The defending champion, Pete Sampras hits out at the Australian Open in Melbourne this week

## Tennis

## Australia looks for a hero of its own

John Barrett on the wider significance of one match in Melbourne today

**T**his afternoon in Melbourne the 22-year-old Queenslander, Patrick Rafter, will carry the hopes of Australia on his broad young shoulders as he tackles South Africa's Marcos Ondruska, who is 10 days younger, in the third round of the AS\$25m (24m) Ford Australian Open.

It is a match of enormous significance for both men in view of the Davis Cup tie between Australia and South Africa in Durban the week after these championships.

Rafter, in form after a commendable first round victory over Jakob Hlasek from two sets to one down and a workmanlike success against the American qualifier Steve Campbell, is certain to lead the Australian team. Ondruska, after his fine run on Thursday over the No. 18 seed Richard Krajicek, will probably be the choice of the new South African captain, Duan Visser, to play the second singles alongside Wayne Ferreira.

While Ondruska was basking in the sunshine of success, Ferreira was suffering the tortures of the damned on a blazing afternoon when the on-court temperature was well over 100 F on court No. 2. His tormentor was the former child prodigy from the Nick Bollettieri stable, Aaron Krickstein, who has a good record in Australia with four appearances in the last 12 years.

New 27 and married to the sister of Dean Goldfine, his later coach, Krickstein smothered Ferreira's groundstrokes and his better than average serve with tremendous power against Ferreira. The American appeared to be enjoying himself and served up a four-set dish that was too hot for the South African to handle. In

the end Ferreira was glad to get out of the kitchen.

With Ferreira's confidence inevitably dented, the performance of Ondruska against Rafter today will be watched with keen anticipation by Australia's Davis Cup captain John Newcombe and his former partner Tony Roche who acts as the team coach. If they can help Rafter to find a winning formula against a man he has never played before then they will have given Australia the edge for the forthcoming Davis Cup battle. That is why both players will be under intense pressure.

Newcombe is also under pressure. He has to find a second singles man following the withdrawal of Jason Stoltenberg from the team this week because of an arm injury sustained during his first round loss to the French qualifier, Thierry Guardiola. Stoltenberg is currently ranked 30, one place above Rafter, and the next Australian on the computer is Mark Woodforde at 32.

Logic suggests that the Adelaide left-hander should be asked to shoulder the burden. He won two good matches this week against Arnaud Boetsch of France and the New Zealander Brett Steven before playing Jim Courier yesterday but his Davis Cup singles record is a dismal one. Since being blooded against France in 1988 he has played six live matches and lost five of them - including a match against Steven in the opening rubber this year when Australia beat New Zealand 4-1 to remain in the World Group.

Poor Newcombe! Such are the trials of Davis Cup captaincy. Gone are the days when Australia could have selected two or three teams capable of reaching the Challenge Round each year from

their corps of great post-war players. They have not won the trophy since 1986. For a nation accustomed to success that hurts. Yet the fans cannot complain. After the abolition of the Challenge Round in 1979, Australia performed minor miracles under the captaincy of Neale Fraser to reach the final on six occasions and win the cup four times.

Newcombe and Roche can only work with the material available and the present crop

only takes you so far.

Otherwise there has been plenty to admire at these championships. That does not include Andre Agassi's plastic costume but it does embrace his infectious enthusiasm for the game and his shining skills. These will be to evidence again today against Greg Rusedalski, a dangerous Canadian, as Agassi develops his love affair with Australia. He is an extraordinary individual, always ready with the witty riposte, always conscious of his public.

Agassi's first real test may come next week in the quarter-finals against last year's finalist Todd Martin. Another American, Martin, the No. 9 seed must first deal today with the youngest American in the top 100, 20-year-old Ylviser Spadea, and then either 10th seeded Yevgeny Kafelnikov of Russia, who last year scored the points off Pete Sampras, or Jonas Bjorkman, conqueror of Guy Forget.

Boris Becker's loss to Patrick McEnroe underlined the importance of seeking the right match play in preparation for the major events. While Becker was competing in the Hopman Cup, an international team event that he and Andre Hober won for Germany, McEnroe was winning a real tournament in Sydney.

While there is a place for special events in the calendar, the place is not immediately before one of the season's major championships. It is a lesson that Sampras learned last year. After losing in the first round of a minor tournament in Doha because he had arrived unprepared, the world champion asked for a wild card into Sydney and duly won it to launch his successful bid for a first Australian title. Becker please note.

## Boris Becker's loss to McEnroe underlined the importance of the right preparation for major events

does not happen to have the class of previous generations. Jamie Morgan, ranked 88, has been added to the squad to fill Stoltenberg's place but his first round loss here this week to fellow Aussie Michael Tebbutt - a full blooded encounter between two old friends that was won by the Sydney left-hander 7-5 in the fifth set - will hardly recommend his selection for a singles berth.

The Tasmanian Richard Fromberg, ranked 40, did well to beat Marc Goellner when Australia lost 1-4 against Germany in the 1993 final but he, too, played poorly this week. His laborious 7-5 7-6 3-6 5-2 second round loss to the little-known Swede Lars Jonsson, who is ranked at 100, revealed a disturbing lack of class. Heart and determination can

## Golf/Derek Lawrenson

## Europe repels Norman invasion

**W**hen Greg Norman announced plans two months ago for a World Tour, golf appeared set for a revolution. The timing seemed right. Severiano Ballesteros, Nick Faldo, Colin Montgomerie and Jose-Maria Olazabal had all, to varying degrees, expressed their discontent with the established European Tour.

Norman's best friend was Nick Price so we could presume that he was involved. Some of the best Americans, including Fred Couples and Tom Watson, had also declared their interest. The schedule would be eight tournaments long in 1995, each event would offer a purse of at least \$2m, and Rupert Murdoch's Fox Network would supply the all-important television pictures.

Since that original press conference there has not been a lot of noise emanating from World Tour headquarters. It is not surprising. The whole

thing was so arrogantly handled that when push came to shove no American was interested. How could they be when no sponsors were known, no venues had been approached and no tournaments had been scheduled?

Faldo has since joined the US tour. Ballesteros and Montgomerie have elected to stay with the European tour; its season started on Thursday with the Dubai Classic. Price, it turns out, is not interested. Only Olazabal gives Norman unreserved support. Some World Tour.

The latest word is that there will be two or three events at the end of the year but do not hold your breath. This is such a good year for golf anyway

that there's plenty to concentrate the mind in the interim.

For a start, it is difficult to recall a year when the major championships were all held at such evocative venues. The Open is at St Andrews; the US Open is at Shinnecock Hills, a sublime links course on Long Island; the USPGA is at Riviera, one of the best inland layouts in the US; the Masters, as ever, will be at Augusta, its perennial home; and the Ryder Cup is at Oak Hill, in upstate New York, meaning the competition will be played on a traditional course for the first time since 1987.

Normally, when The Open is at the home of golf it commands most of the attention but inevitably the Ryder Cup

will provide competition this year.

The Americans will be attempting to win the trophy for the third time in a row, something they have only once achieved since the event was changed in 1979 to allow the Great Britain and Ireland side to include continental golfers.

The qualifying process for both teams is a long and drawn-out process that has currently run about one third of its course. Bernard Gallacher, the European captain, will be rather happier with the way his team is shaping up than his opposite number, Lanny Wadkins. Europe's top six reads: Ballesteros, Langer, Olazabal, Woosnam, Gilford, Montgomerie. For America it

is: Roberts, Parin, Lehman, Zoeller, Mickelson. Kite. Europe must have a chance when the top American is a player whose first name most golfers cannot recall. It is Loren, by the way.

The Open will be graced by one American who is known only by his first name, Arnold Palmer, now 65, last played in the championship four years ago but he has intimidated the Royal and Ancient that he would like one last go, and so the exemption rules have been changed and a new category introduced to accommodate him. "Arnie" saved the event from becoming a second-rate tournament, faithfully coming over in his heyday when it was unfashionable for Americans

to make the long trip. In these commercial and cynical days, there is something rather touching about the R & A's reciprocal gesture all these years later.

It is a big year for a number of players. Most of all, perhaps, for Faldo, now that once more he is playing most of his golf in America. His appearance in the Northern Telecom Open, which is currently going on in Tucson, is one of eight in which he will compete before the first of the four majors. The Masters, in the second week of April. In the same period in 1994 he played in just four events.

"I got my schedule wrong last year, and my swing was too mechanical. It's got a lot

more rhythm now and I'm looking forward to the season," he said. Funny, that. When a couple of journalists suggested to him last year that his schedule was awry and that his swing appeared to lack rhythm he shouted at them.

But he is a golfer with something to prove once more and under those conditions it will be surprising if he does not enjoy a good year.

It is a big year too for Ernie Els, the best thing to happen to golf since the emergence of Ballesteros. Can he live up to all the hype and the expectation?

And quite what Laura Davies is going to do for an encore is hard to imagine.

How do you follow a season in which you won tournaments on five continents and headed the money list on the LPGA tour in America? At least a circuit is beginning to emerge in Europe which provides a suitable stage for her extravagant talents. Two years ago there were just 10 women's events but there will be double that number this season. The prize money has roughly doubled as well.

The amateur game will enjoy 15 minutes of fame with the Walker Cup, being staged for the first time in Wales. The two-day match between Great Britain and Ireland and the US will be held over a weekend for the first time too, thus ensuring excellent crowds at Royal Portcawl.

A sumptuous year in prospect then, and one that prompts the thought: if the World Tour does get off the ground at the end of that little lot, will we have any breath left to care?

## Rugby Union/Derek Wyatt

## Change to the old order

**I**n spite of the pressure from television and sponsors, the Five Nations championship, which begins this afternoon, has managed to remain largely unchanged. The championship, which began in 1910, remains unique and ever so slightly barmy: breaking the flow of club rugby halfway through the season.

Two fixtures are played at roughly the same time on alternative Saturdays throughout January, February and into March but change cannot be too far away. If the Derby can be moved to a Saturday (and how soon will that be a Sunday?) nothing is inviolate.

The television companies would much prefer each pair of games to be split: one played on Saturday the other on a Sunday. Furthermore, there is an undeniable logic to the argument that the Five Nations championship should be the final curtain to the season rather than the second act.

This year's championship already feels different. The third rugby world cup, in South Africa in June, hangs over the matches in a way which it did not in either 1987 or 1991, the years of the first and second rugby world cups. Two sides, France and England, have their sights on reaching the semi-finals of the world cup and ensuring automatic qualification for the 1998

world cup. Today, France play Wales at the Parc des Princes. Because of the time difference, we shall know the final score an hour before the other game, between Ireland and England at Lansdowne Road, has finished.

The opening fixture often makes, or breaks, the championship for each team. It does not really matter how a team

## For England and France today's games are merely rehearsals for the World Cup

wins its opening fixture as long as it wins.

England were delirious after scraping a victory in their opening fixture last year when they beat Scotland 15-14 with Jonathan Callard's last kick of the game. Will Carling bear-hugged Callard because he knew a Grand Slam was still possible.

On the other hand, Gavin Hastings, Scotland's captain, burst into tears in the interview room afterwards. He had been captain two months earlier when the All Blacks had scored 51 points against Scotland. New Zealand then had the effrontery to lose to

England the next week. Here was a result the Scots desperately needed to prove to the rest of the world's rugby nations that they were not utterly hopeless.

After the loss to England, Scotland went from bad to worse. They finished bottom of the Five Nations, lost two tests to Argentina and were thrashed by South Africa. It is hardly surprising that the Scots are bending the rules by playing Canada at Murrayfield this afternoon.

Each year, the Five Nations competition attracts a little more attention. Even those parts of the media which formerly cared only for soccer have taken to the game with relish. The championship is talked about and followed with greater and greater enthusiasm and even Premier League soccer clubs give out the scores at their matches.

This has created a different sort of pressure to the days when I was sitting on the bench. It means that mistakes are magnified.

Today's player has to handle that and if he is unable to, he sinks. Furthermore, a would-be international must dedicate his life for five years, without a break, to a sophisticated training schedule and a professionally regulated diet. This regime was established by England in the late 1980s and has been copied by France and, to a lesser degree, Wales.

France and England are joint favourites this year, but that does not mean they have a divine right to succeed. Both are notoriously slow starters; eking out wins in their opening games before turning on the juice. England have had special problems with today's opponents, Ireland, losing to them in the last two years.

But both should break that pattern this afternoon. Both used a number of soft games before Christmas to give their squads a run-out. France have been doing this for two decades; the rest were woefully slow to follow; but now everybody's at it. England and France are treating this afternoon's games not just as the start of the Five Nations championship but as a dress rehearsal for the quarter-final stage (the knock-out bit) of the World Cup. This is the difference between them and Ireland and Wales today. For the latter two, the only thing that matters is victory. Victory at any price.

The Irish team are still Adrenaline United. Their approach has not changed since the day the game was invented. Predictable unpredictability is their sole tactic. Ireland's new administration needs to take a leaf from Irish soccer which has enjoyed unprecedented success under Jack Charlton. The IRFU needs to appoint a top All Black or Australian coach for the



Victory kick: Neil Back (7) congratulates Jonathan Callard after his late penalty beat Scotland last year

David Rogers

national side to stop its game sliding further. As it is, the best players - Simon Gough and Nick Popplewell - have marched with their feet, joining English club sides to find better rugby.

Wales are the team no one is absolutely certain about. They have two half backs - Chris McDonald of Swansea and Arwel Thomas of Neath - who are quite the best players I have seen in Wales for a

decade. McDonald has trouble playing for Swansea's first team because of Robert Jones who is recalled by Wales today. Thomas is from the old conveyor belt of Welsh fly halves. He has the insouciance of Barry John, a kick like a graffe and the touch of arrogance that all great players possess. I hope the Welsh selectors realise his brilliance before the season is out.

This afternoon, attention will focus on three players - Jeremy Guscott of England, Brendan Mullin of Ireland and Philippe Sella of France - three centres of excellence.

It is a joy to have Guscott back after his season's lay-off. His ring craft is still rusty and on the evidence so far he has not rediscovered that thrilling, and crucial, afterburn.

Mullin has been away from international rugby for two

years. At his peak he was the finest footballer in the world. Alas he looks to be past his sell-by date. I hope I am wrong. Last season was not one Sella will want to tell his grandchildren about. He won his 100th cap but lost a yard of his acceleration pace. But what makes him stand out is his dedication and application.

Predictions? France to win comfortably in Paris; England by a point or two in Dublin.



FOOD AND DRINK

# Lunch for a Fiver

More than 300 restaurants have agreed to take part in this year's Weekend FT Lunch for a Fiver promotion. Next Saturday we will announce the names, addresses and telephone numbers of all the restaurants taking part. The promotion will run from Monday January 30 until Friday February 10 on weekday lunchtimes.

The geographical spread in the UK is wider than ever. Two Michelin-starred restaurants are already signed up - and by broadening the scope of the promotion we were able to offer restaurants the option of a £5, £7.50 or a £10 meal.

FT readers will be asked to judge the meal's quality and service and prizes will be won

by restaurants and readers. So far, the number of restaurants in each price category is roughly equal. Restaurants will provide two courses, with a choice at each course, for £5, £7.50 or £10, inclusive of VAT but exclusive of a third course, coffee, drinks or service.

The Financial Times has put up substantial prize money to entice the restaurants to offer their best.

For the restaurant judged to have produced the best lunch in the £5 category the prize is £5,000, for the £7.50 category the prize is £2,500 and for the winner in the £10 category, £1,500.

Full details will be contained in next Saturday's Weekend FT.

# Fizz for the future

In one way, in Champagne things are looking up, but in another they are still looking down. Champagne is a complicated wine, and so is its industry.

Total sales are expected to have risen from 228m bottles in 1993 to 240m-245m in 1994. Stocks have fallen from near four years' sales to 3.6 - a considerable drop in terms of bottles and in the amount of interest paid. Moreover, the sales of the Grandes Marques and what may be called the National Marques have risen by more than 9 per cent.

Sales of champagne made from lower quality grapes, and sold soon after the legal minimum age of one rather than three years in bottle, have declined slightly. Demand has improved in the UK, with sales up 16.4 per cent to the end of October. The UK also appears to have replaced Germany as the leading importer. But in most markets increases have been at the expense of some lower quality sales.

In France, too, the gap between what are called *premier prix* champagnes, largely sold in the supermarkets, and the well-known brands has narrowed. Two years ago the former could be bought for FF40, but now they are edging toward FF50. Margins in French supermarkets average 12½ per cent, half the UK's.

The negative side of the industry can be seen by the indebtedness that exceeded in 1993 - by FF1.8bn - its total turnover, and is not likely to be much less now. A number of well-known firms have been sold, including Deutz, Barancourt and Gosset.

Laurent Perrier has bought Joseph Perrier, the last champagne house in Chalons-sur-Marne, which once contained many, and a group led by Bruno Paillard, of Reims, has acquired Boizel, which has provided many *Brut* (Grey's Own Brand) to UK merchants. Another trend is the fall in the sale from the co-ops and the nearly 5,000 growers who sell wines under their own names. Between them, until a few years ago, they accounted for nearly half domestic sales within France.

The French have always been partial to an association with *petit fours* - champagne superlative for the *premier prix* and cheaper than the dearer marques, in spite of freight charges of up to FF6 a bottle. Recession and convenience have made many now

buy a bottle or two at a time from the nearest supermarket. Recovery this year is expected to be slow, and next year is thought to be more profitable, but not at the rate of 1989. However, Grand Marques prices are due to rise soon, although initially this may cause a drop in sales.

For this year's vintage there is a new team to negotiate the recommended grape prices for the 100 per cent villages on the Montagne de Reims and the Côte des Blanc down to the 80 per cent centers in the Marne Valley, Aisne and Aube.

The merchants will be represented by the respected Yves Benard, for long head of Moët, and now supervising the champagne interests, including Mercier, Veuve Clicquot and Canard-Duchêne, of the Arnaud group. For his first year he negotiated a 75-centime rise per kilo of grapes to FF21.2. This was for the top communes with corresponding increases lower down. The growers will have Philippe Feneuil, reported to be tough, as their head.

The merchants will try to keep the grape prices down, while agreeing to a rise in the permitted yield per hectare, from 9,000 kilos to 10,000. The growers, with an average of five years' stock, will seek a rise of a couple of francs per kilo. They are likely to succeed on both fronts, because many growers, particularly the younger ones who have invested in new presses etc are in difficulties. In the last four years the grape price has been halved, the customary bonuses sharply reduced, and the normal official yield cut from 12,000 kilos per hectare to 8,000 and now 9,000. The nearly 5,000 out of a total of 18,000 in the region who market their own wine have an average holding of only 1.65 hectares (four acres).

Overall, this seems a very favourable time to lay in some stock, particularly of the superior marques, before the average bottle-age of their champagne falls to the generally accepted three years and prices rise. Moreover, since the beginning of this year a little-publicised drop of £1.97 per dozen in duty has taken place. Those buying vintage champagne should look out on lists for the remaining 1988s, now being replaced by the younger 1989s.

Edmund Penning-Rowell



# All the comforts of confit

Nicholas Woodsworth spends a winter evening enjoying the culture and cuisine of south-western France

On damp winter evenings the valleys of south-western France often fill with fog. I might have been blindfolded, so thick was the night mist. Dim yellow headlights finally swept through Josette Bastit's yard in the hillside hamlet of Creysac.

I had reached my destination, but where was it? Somewhere out there, not far away across dripping forests and soggy winter fields, lay the Dordogne River. That might not be much help to drivers confused by fog, but for hungry travellers it is reassuring. If you must get lost, this is the place to do it - no matter where you end up, here you can be sure you will not be far from some of the finest regional cooking in France.

In the Bastit family farmhouse I found the comfort, cheer and welcoming table I had set out for. By the time I arrived, Josette, who usually officiates in the classrooms of the Institute of Technology in Toulouse, had donned a white apron and was officiating in the kitchen instead.

Whenever teaching drains her batteries she returns to her family home in Creysac and recharges with something much greater than mere technology: her own rural culture and the celebrated cuisine of south-western France.

Part of that culture is technological none the less, for the cooking of this region is a highly specialised affair. Whenever Josette visits my own family in Provence she brings with her a carload of exotic duck and goose preparations that make Provencal dishes - products of the vegetable garden rather than the farmyard - look like child's play. One does not, after all, have to force-feed subergines.

So intrigued was I that I finally asked Josette if I might not pay her a visit, hang about a farmyard or two, and get a duck's-eye-view of the matter. With Josette's 86-year-old mother,

we sat down to aperitifs and walnut-flavoured sausage in front of a crackling fire. It burned in an open stone fireplace so vast that two wooden benches sat inside the fireplace on either side of the blaze. In the past Madame Bastit's fireplace was also a veritable kitchen in itself, a place she could enter and stand comfortably to cook over pots hanging from chains above the coals.

It was here that, not so long ago, the women of the family were still making the soups which, eaten three times a day, formed a staple of peasant life. For all the Dordogne Valley's reputation for rich living, life here was austere. Piped water did not reach Creysac until the mid-1930s. Josette can remember her aunt carrying water to men in the fields in a heavy copper urn balanced on her head and knitting at the same time. South-western cooking developed not from indulgence but the limitations of peasant life.

The rich, creamy slabs of *foie gras* we began spreading on bread were a case in point. Cooking and preserving the fat-rich liver of ducks or geese was a way of assuring a supply of meat outside the rare times when farm animals were slaughtered - a properly preserved *foie gras* can be kept for years.

So, too, with the *confit* that followed, eaten with *pommes sarladaises* - potatoes fried in goose grease - and washed down with inky glasses of Cahors wine. Duck or goose quartered and slowly cooked and aged in its own fat, *confit* was a solution arrived at before the advent of the freezer. Traditionally made before Christmas, it was stored in unsealed earthenware jars and could be kept until the first warm weather melted its protective cover of grease.

There was no way that the *confit* before me was going to stay around until the warm weather; golden brown and richly fragrant, it was disappearing from my plate at an alarm-

ing rate.

"All this fat!" I protested to Josette, even as I was spooning more slices of grease-glistening potatoes on to my plate. Goose and duck fat seems to have some magical, transforming quality - these irresistible potatoes had nothing to do with the humble tuber I knew. "Surely this is all too rich and heavy," I said. "Too high in saturated oils to be good for anyone."

"Mais, non. Mais, non," Josette pooch-pooched the very idea. "Duck fat is to the south-west what olive oil is to Provence. In fact it is even better -

Colette had a number of ducks on the scrubbed table. They were not any old ducks - all had large protuberances on their undersides

it has special qualities. Studies show that people live longer here than in any other region of France."

I had never heard of such studies, but on the strength of them, reached for the Cabecou, a rich, unctuous high-fat goat's cheese that puts Provencal cheeses to shame.

"Tomorrow," said Josette, who when not talking about today's dinner enjoys planning the next day's lunch. "We will try something different. How about duck gizzard salad and *peccorelles* - buckwheat cakes filled with thick-cut bacon and cooked in goose grease?"

"I cannot wait," I replied. Cholesterol might have never existed. After a vast lunch the next day we drove through the misty hills and sat far from the market town of Saint

Cere pulled into the muddy farmyard of Colette Pechuzal. Josette and Colette went to school together; when one took up teaching the other took up ducks and geese.

Colette is unusual. These days *foie gras* is produced largely on an industrial basis: the birds are bred by one group of producers, raised by another, force-fed by a third and slaughtered and processed by a fourth. The numbers are large.

The methods are time-saving and cost-cutting. Quality sometimes suffers. Colette will have none of this. She raises just 100 ducks a month, and sees the process through from beginning to end. She is a staunch traditionalist.

When we arrived, Colette had a number of ducks, plucked and hung stretched out on the scrubbed table of her workroom. That they were not just any old ducks was obvious - all had large protuberances on their undersides.

This was the moment of truth. "When we were children we used to hold our breaths at this point," said Josette as we watched Colette delicately slice into the first bird. "After three months of work and worry there was no guarantee that a duck's liver would be fattened - sometimes the bump is nothing more than a build-up of body fat."

But there, exposed under a layer of peeled-back skin, we saw not the golf-ball-sized liver of an ordinary duck, but a massive, bright beige liver taking up most of the intestinal cavity and weighing more than a pound. Somewhere, in distant Paris, in Germany, in Guyana or one of the other destinations to which Colette delivers her special orders, someone's dinner was assured.

But Colette's work had only just begun. Apart from *foie gras* and *confit*, she prepared the rich, dark meat of their breasts for *magret*, superb when lightly charcoal-grilled; the necks, which are prized when gar-

nished with stuffing and flavoured with liver, truffles or boletus mushrooms; the gizzards, the fat, melted down and timed; the carcass itself, which when simmered in its own grease yields the tiny, flavoursome pieces of meat known as *rilletes*. In the end Colette used every part of her ducks but their quack.

Somewhat hesitantly, I followed Colette when she put on her gumboots and went out past the duck pens to the out-building where twice a day for three weeks she force-feeds her charges. I had been dreading this part, but it was nowhere near as cruel as I expected.

Colette's one concession to modernity is an automatic feeding machine, a device that looks like a miniature cement mixer with a spout at one end of it.

Sitting before the maize-seed-filled machine with a duck firmly held under her knee, Colette introduced the spout into the bird's beak. She pressed a pedal, gently stroked the duck's throat to encourage swallowing, and the animal's crop quickly filled with maize. It waddled away nearly a pound heavier. After three weeks of such eating it would almost double its body weight.

I am no Doolittle and cannot talk to animals, but it seemed to me these ducks felt little worse for wear. Certainly they appeared far happier than the battery-fed chickens whose eggs we have no qualms about eating. With Colette's help I tried feeding one myself. I watched it wander back to a straw-filled pen. It had a drink of water, sighed and settled down to sleep.

It did, in short, what most of us would do after a heavy meal. I sympathised, though. As Josette and Colette will tell you, large, rich meals must remain an occasional treat. After only a couple of days in the south-west I did not have to be a Doolittle to understand: I knew exactly how that duck felt.

Cookery / Philippa Davenport

# Treats from the igloo

If new year resolutions are to be kept, they need, I find, to be tackled promptly - before one has too much time to think about them. For thinking about doing things can become a substitute for doing them - using up almost as much energy but achieving nothing.

On January 1 last year I resolved to defrost my freezer. Shamefully, I kept putting it off. By January 1 this year defrosting became imperative. The freezer had become an inefficient igloo. Nothing more could be crammed in and it was a fight to get anything out. Now that the dreaded deed has been done, I am basking in

a glow of virtue. Defrosting is a cold, messy task and embarrassing, like re-reading one's own youthful diaries. What on earth made me squirrel away six salmon heads? I suppose it was greed about foods for free that turned me into a sloe-picking maniac. Many pounds of fruit two autumn's old are now unlikely to make good sloe vodka and gin. As for fish heads and meat bones, I shall try to remind myself in future that it is better to use stockpot ingredients straight away, or to be ruthless and chuck them out at the start, rather than waste time freezing them only to throw them away later.

I sometimes think that commercial jam-makers have bought up the world's supply of steadfast glue. The labels on their jars invariably refuse to budge when you try to scrub them off and re-use the jars for

home-made marmalade. On the other hand labels designed to stick on home cooked foods for the freezer seem to be backed with glue so puny that at least half the labels come adrift in next to no time, turning the freezer into a lost luggage depot.

Trying to guess what is inside those anonymous packages as you thaw them out for eating adds a bran tub dip element to dining. Just occasionally you may strike lucky and pull out a first-rate soup or stew you had forgotten. And I rather enjoy the challenge of trying to make a good meal out of an odd assortment of lost souls found lurking in the freezer.

Two of the items salvaged from my recent defrosting were a packet of puff pastry and some coarse-cut free-range pork sausages, which com-

bined to make a pie that was good enough to send me out to buy more of the same ingredients to make the pie a second time the following week.

**PUFF PASTRY PORK WITH FENNEL AND APPLE** (serves 6)

I suggest serving this pie warm, rather than piping hot. Leftovers, should there be any, are good cold. Serve the pie on its own, with vegetables before or afterwards. Looks *à la grecque* cooked with lemon and dill make a good first course and I followed the pie on one occasion with a compote of spiced pumpkin, fresh oranges and roasted chestnuts - leftovers from my Christmas fruit bowl which married as successfully as the pork and puff pastry.

1lb freshly minced very lean belly of pork (or coarse-cut sausages - home made or the best you can buy; they should

contain at least 85 per cent meat); ½lb prepared weight puff pastry; 1 bulb Florentine fennel; fennel seed; garlic; 1 large (½lb-¾lb) Bramley apple; 1 tablespoon butter; 1 teaspoon olive oil; 1 egg yolk beaten with 1 tablespoon milk to glaze.

Trim the fennel bulb. Chop the tender inner part into small pieces and sauté briefly in hot olive oil till gilded. Cool completely then mix the vegetable with the pork, adding some garlic crushed with salt, at least half a teaspoon of fennel seed bruised with mortar and pestle, and a good seasoning of sea salt and black pepper. Hands are the most effective tools for mixing.

Use just over half the pastry to line a shallow flan tin that is 8in-9in in diameter, preferably a tin with removable sides and base. Put the aromatically

seasoned sausage meat into the tin. Cover with a pastry lid, damp the edges, seal and trim. Knock up and scallop the sides. Glaze and chill for 20 minutes before baking for prepare the pie several hours ahead if more convenient.

Bake on a pre-heated baking sheet for 20 minutes at 425°F (220°C gas mark 7) then for 45 minutes at 350°F (180°C) gas mark 5, covering the pastry with a sheet of greaseproof paper if it browns too fast.

Serve warm with an apple and fennel sauce made by cooking the finely sliced Bramley with ¼ teaspoon bruised fennel seed and one tablespoon each of water and butter. Use a tightly lidded pan, a very low flame and a simmer mat. Stir occasionally. The sauce is ready when the apple is soft enough to crush to a puree with a fork.

In the Appetisers column of December 34, the address for P.J. Onions (Farms), winner of a 1994 organic food award for its poultry, should have read: Shelton Lodge, nr Newark, Notts NG23 5JJ. tel: 01949-850268, fax: 01949-850714.

Appetisers / Jill James

# Burns beckons

Fair fa' your honest sannie face Great Chieftain O' the Puddin'-race

Yes, Burns night beckons. For those south of the border, the previous success of Burns suppers at The Brasserie on the Park, the Park Lane Hotel, London, means that it will be extending the occasion. Although Wednesday January 25 is the official date, it will be addressing the haggis on Tuesday and Thursday as well.

Four courses, cock-a-leekie soup, haggis, roast beef, trifle, two drams of whisky and a half bottle of wine at £25 (excluding service) should appeal to the most parsimonious Scot. Robert Bayne, the brasserie's Scottish manager, should ensure the evening's authenticity. For reservations call 071-499 6321.

Butcher's Lidgate, of 110 Holland Park Avenue, London W11, is stocking MacSween's Scottish haggis at £2 per 1lb. (You will need roughly ½lb per head with a serving of neeps and tatties). For local deliveries ring 071-727 8243.

# BENGAL CLIPPER BY THE RIVER

At Butler's Wharf, Tower Bridge, exceptional Indian cuisine in a magnificent environment enhanced by live grand piano every evening. This large and stylish restaurant has just been acclaimed as one of 1994's best. For a reservation, please call 071 357 9001. Corner Shad Thames/Curlew Street, London SE1.

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## HOW TO SPEND IT

# The stuffy warehouse shuffles its chairs

Lucia van der Post looks at a department store which has tackled the old problem of selling furniture for every taste

Those of you accustomed to thinking of House of Fraser furniture stores as an unappealing cross between a warehouse and a stuffy, circa 1950s, interior might be more than surprised if you visited one.

House of Fraser conjures images of rows of brocade or velvet-covered sofas, shiny coffee tables and strange cross-breed reproduction cabinets – a desperate attempt to be all things to all men and succeeding in pleasing nobody.

It is no secret in retailing circles that it is not easy to know what to do with the furniture departments in the big stores. They cannot go for the

niche market of Habitat, Ikea or the Conran Shop. They have to please too many people and have to generate too big a turnover. Yet they need desperately to be brought up to date, to be injected with the excitement that is usually found on the fashion floors.

House of Fraser has adopted a new strategy. It still tries to be many things to many people but also to make it easy for the out and out modernist, the romantic, the rustic or the old-fashioned traditionalist to find their way through the once amorphous acres.

House of Fraser has done this by grouping the furniture and furnishings into styles. Most of those trooping through

will quickly select and identify which group is for them and which not.

There is still, make no mistake, furniture which will make many shudder, but there are also pieces that many will be surprised to see.

Take the spring and summer collection arriving on the floor in early February. Here, for instance, are some marvelously simple, well-made and well-priced versions of the perennial fashionable Shaker look.

It includes a beautifully balanced and eminently practical chest of drawers (£479) and an elegant tall boy (£759) both in cherry finished solid pine. If the Shaker look is not for

you, you could perhaps look at the range of colour-washed wooden furniture. These are gentle and slightly rustic in mood and would fit easily and charmingly into many a setting.

The table and chair photographed here cost £389 and £175 respectively.

For the country romantic there are over-sized squashy chairs covered in floral fabrics which could also fit into almost any traditional home. They are not cheap – but then good upholstery tends to cost a lot of money these days – it is durable, attractive and has the kind of "been there forever" look that usually comes with a much higher price tag.

With every look there is a wide range of accessories. These run from throws to lighting, from cushions (apparently, classical motifs from statuary and urns is big these year and it features on everything from cushion covers to fabrics and ceramics) to glass, ceramics, candlesticks. The accessories that finish the look are all there.

Photographed here are just a few of the pieces going into large House of Fraser furniture departments in February. Note that the prices I have quoted are what are called "introductory" prices.

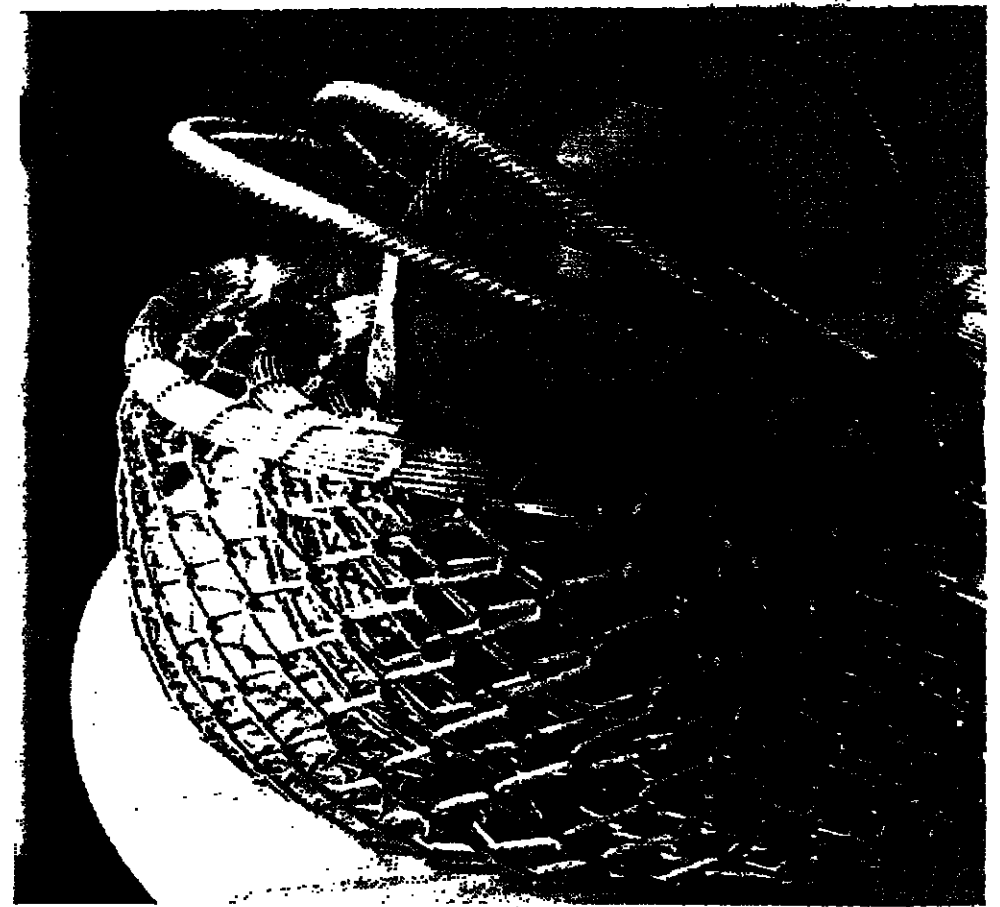
So if you like them, buy them soon, as prices will be going up later.



Table, £389, and chair, £175, in colour-washed wood, going into the stores in mid-February



Country-style shabby chic – over-sized armchair, £295. Already in House of Fraser stores



Aluminium baskets – a more modern update on traditional basketware, £4.99 and £7.99

## Sitting comfortably?

Lucia van der Post examines a chair for back sufferers

If my mail last week and the number of telephone calls to this office – recently are anything to go by – vast numbers of the Weekend FT readership seem to have backs that are far from perfect.

Ever since Bill Moggridge, the furniture designer, nominated Herman Miller's ergonomically designed Aeron office chair as one of his discoveries of 1994, we have been inundated with calls from the spineally challenged. Whether all this is caused by hours spent crouching over screens tracking the global markets, weeding out the columbine or simply the wear and tear of the years is almost immaterial – painful backs hurt and are

notoriously hard to treat.

Statistics confirm my anecdotal impressions – 37 per cent of the adult population suffers from back pain each year and 30 per cent of this number will then go on to suffer from chronic back pain. More than 93m working days are lost each year because of back pain.

Whatever the medical solutions one thing is obvious – the demand for chairs that give proper support and relief is huge.

In Hampstead, north London, a company called Anatomia – The Back Care Centre, specialises in all the accoutrements that might help, relieve or prevent back problems. New on the scene is a chair

called the BackSaver which Guy Cinnamon, who runs Anatomia, decided to import after an American customer brought it to his attention. The chair, the customer said, could lower levels of stress and tension in the skeletal musculature system and decrease blood pressure. Although he had been involved in backcare for many years, Cinnamon was sceptical until he saw reports from a medical centre in the US and letters from customers who had used it.

I will not go into endless details about galvanic skin conductance, heart rates and all the rest of the medical data – suffice to say that The Biofeedback Centre Division of

Nevada Physiology Associates, as well as the Biobehavioral Institute of Brookline Massachusetts have produced detailed endorsements of its efficacy in giving increased comfort to those with or without back pain.

As you can see from the accompanying photograph, the BackSaver works by placing the body in a 90/90 stressless position – if the position looks familiar it is because you will have seen it on a thousand pictures of NASA astronauts who use it, on medical recommendations, during lift-off in order to promote total relaxation.

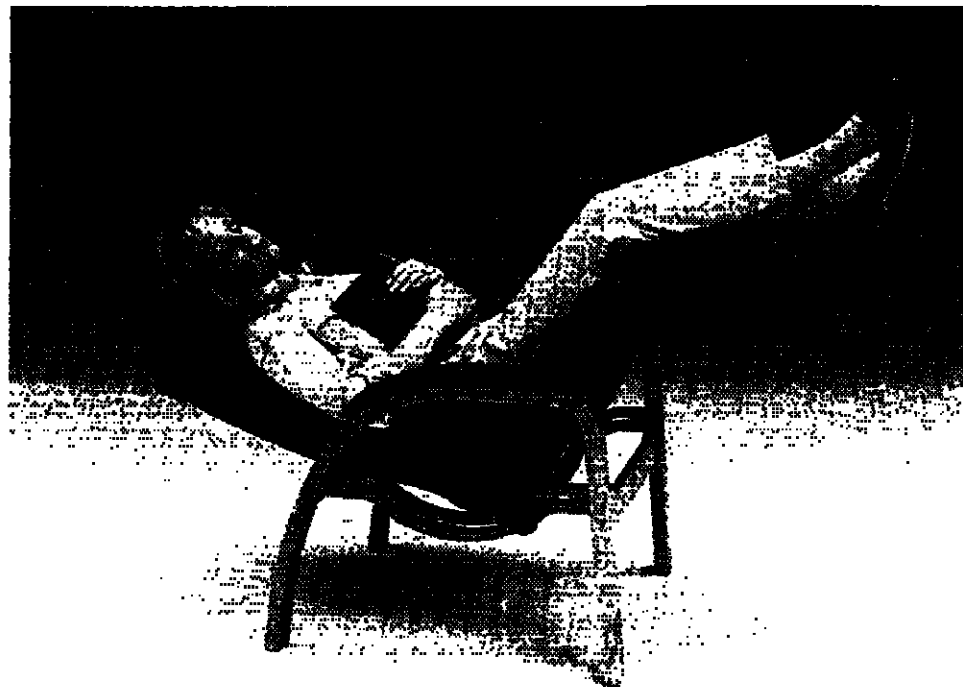
With the torso at a 90° angle to the thighs and the thighs at a 90° angle to the lower legs, pressure on the spine is reduced, which relieves muscle tension and increases circulation.

As you can see from the photograph the chair is not a thing of great beauty but neither is it so reminiscent of a dentist's chair that it would look out of place in most sitting-rooms.

The angle can be varied by a lever at the side and the contours of the chair do seem to support the body in such a way as to give great comfort. Medical advice seems to suggest that half an hour, once or twice a day in this chair, makes patients feel much more comfortable.

There is little variation on the basic design but wood finishes and upholstery vary. The basic price is £795 including VAT but the most expensive version is about £1,300.

Anatomia is at 21 Hampstead Road, Regent's Place, London NW1 0YN. In the showroom is also the full collection of orthopaedic seating and lots of other products.



Put your back into it: the BackSaver improves galvanic skin conductance, heart rates and relaxation

Continued from Page 1

mid-flight, but none has crashed and the structural integrity of the aircraft has not been damaged.

"In terms of the operational integrity of the aircraft it was a non event, but we clearly could not have bits falling off," Lowe said. BA ordered a new series of rudders for its Concorde at a total cost of around £5m.

There have been other minor problems, but Lowe says: "This Concorde has performed better than the wildest dreams of its British and French designers."

At some stage however, the cost of operating Concorde will exceed revenues, and force BA and Air France to take it out of service. Virgin Atlantic, which is in negotiations with Air France to operate joint transatlantic services with the French carrier calculates that it costs £1,107 per seat to break even on a flight by the 100-seat Concorde, compared with £218 on a 400-passenger Boeing 747 and £238 on a 275-seat Airbus A340. Concorde's engineering support costs alone are put at around £8,000 for every hour of flight.

But Richard Branson is still keen to start operating transatlantic services to New York next September. "This aircraft has given BA a tremendous competitive advantage," he said.

"It's a show stopper," added Paul Griffiths, a senior Virgin director.

All the big aerospace manufacturers believe, or hope, that a successor to Concorde will eventually be built.

"From the first flight of the Wright brothers it took 60 years to fly the first Concorde. I don't think we will go another 60 years without a new supersonic airliner. Mankind has always gone that way," Captain Lowe said. But for the next 30 years, the future of supersonic flying would probably continue to be Concorde.

## Can the old bird keep flying?

That's the magnitude of the achievement: 20 years since my first flight on Concorde I can still say it is the future.

Aircraft manufacturers on both sides of the Atlantic, as well as in Japan and Russia, have been studying the development of a second generation of supersonic aircraft. To make it viable, they argue, it would have to be three times larger than Concorde, carrying about 300 passengers and would need a far longer range of at least 6,000 miles instead of Concorde's 4,000 mile range to enable it to fly across the Pacific as well as the Atlantic. It would cruise slightly faster than Concorde at a speed of Mach 2 to Mach 2.4.

Such an aircraft would represent an even bigger technological challenge than Concorde, and make supersonic travel a form of mass transport.

"If it is to be successful, it must be comparable to the subsonics of the day in relation to the environment, noise and ticket costs," says Michael Henderson, supersonic transport programme manager at Boeing.

It will be a daunting task, requiring new materials and new propulsion systems, developed to withstand normal airline operations. It would have to fly 16 hours of a day like a 747, not seven as Concorde does on a London-New York run.

Since it is unlikely that the problem of sonic boom will be

resolved, the future aircraft will also have to fly efficiently at subsonic speeds over land. One of Concorde's big problems is that it operates far less efficiently at slower speeds.

But the industry is confident it can develop the necessary

**'This aircraft has given British Airways a tremendous competitive advantage,' said Richard Branson**

technology for a new generation Concorde. The obstacles are familiar: politics and money. In 30 years, some manufacturers believe the world will want as many as 1,000 supersonic aircraft, but everyone agrees that they all need to be of the same type.

To spread development costs of around £10bn-£15bn, the project will need an unprecedented amount of international co-operation among American, European, Russian and Japanese manufacturers as well as heavy government funding.

Already deep suspicions and rivalries have surfaced, espe-

cially between Americans and Europeans. Although Concorde put Europe ahead in commercial supersonic flights, the Americans are anxious to regain their supremacy in the skies. While Europe has only been prepared to spend a paltry \$15m a year on supersonic research, the US has agreed a \$2bn, 10-year research programme.

"If Europe hasn't got what it takes to meet this challenge, it will be handing the US aircraft industry a unique opportunity to establish its economic supremacy," has warned Louis Gallois, the chairman of the French Aerospatiale aircraft group.

For in spite of all the difficulties, one thing which has become clear about supersonic flight in the last two decades is that passengers love it. At JFK last Friday there was the same excitement in the lounge before the journey back to London.

I saw a couple of businessmen who had been on the morning flight. There was a surgeon flying to London to perform a heart operation the next day. There were a few furs which again had to be pre-boarded.

On touchdown at Heathrow at 10.15 in the evening, I had that feeling of disbelief that always comes with supersonic travel.

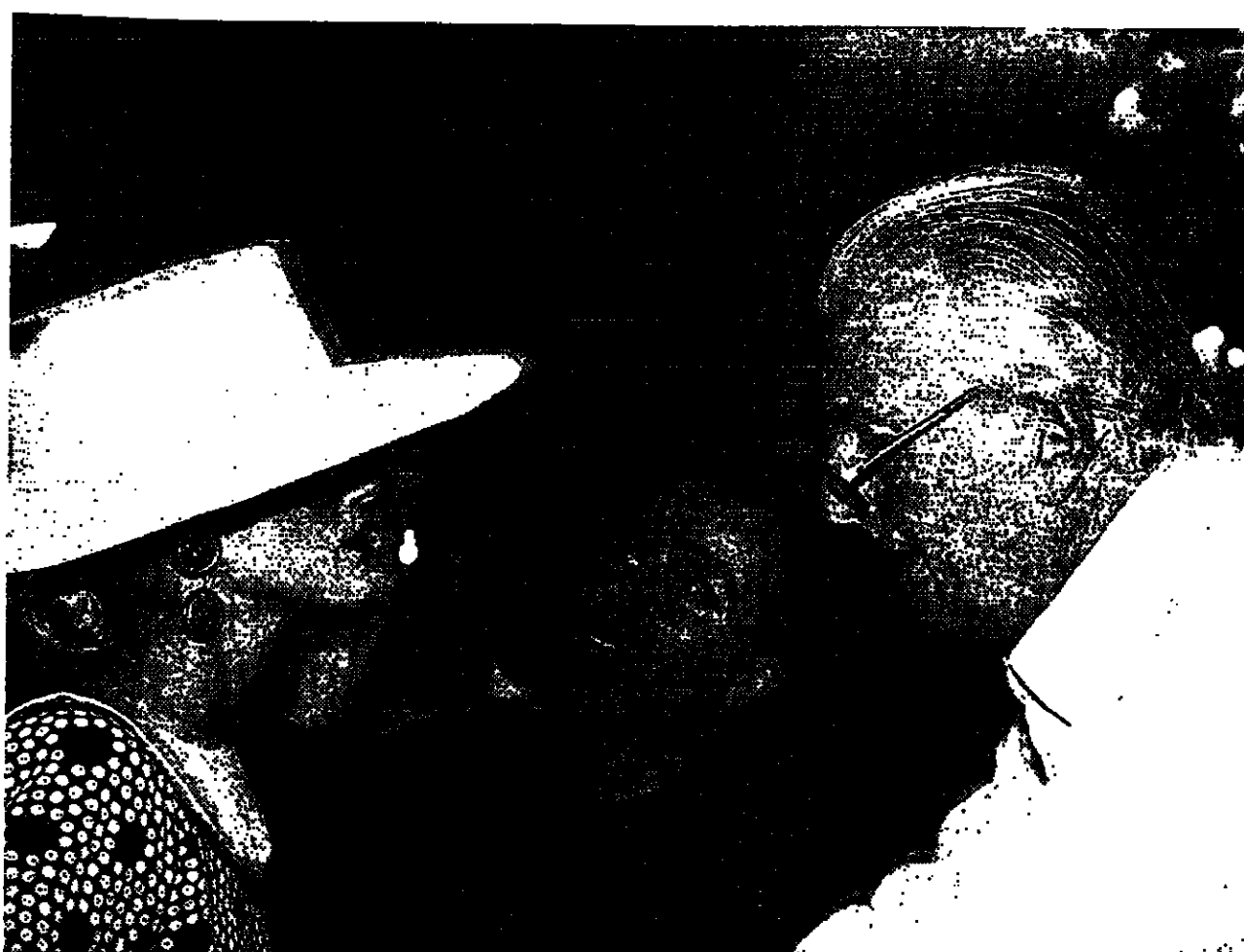
I had left home at 7.30am to catch the Underground to the airport. I felt less tired than after a day trip to Paris or Brussels. I had spent two lovely hours in Manhattan in the warm winter sunshine eating a bagel on Madison Avenue and then watching the skaters going around the ice rink at Rockefeller Plaza.

British Airways asked if I wanted to go on the ultimate day trip to the seaside today to celebrate Concorde's 19th anniversary in Barbados.

It was tempting. But I had a previous engagement in Brighton.



FASHION



The master on the catwalk: Hubert de Givenchy



Audrey Hepburn wearing Hubert de Givenchy in *Love in the Afternoon* in 1957

# Givenchy faces the problem of finding a good housekeeper

When great designers retire, can the houses that bear their name survive? **Avril Groom** looks at the problem of finding the right successor

When Hubert de Givenchy appears on the catwalk after his couture show in Paris on Tuesday, the applause will be longer and louder than usual. For this may be the last time the tall couturier takes his bow among his models in their immaculately-made, classically-elegant finale gowns. Then again, with typical couture-world intrigue, it may not.

Whatever the outcome, the events at Givenchy neatly illustrate the dilemma that faces any fashion house when its guiding spirit decides to hang up the white coat and sketchpad.

Like most couturiers, de Givenchy no longer owns his design house. It and the separate, more lucrative, perfume and cosmetics company that also bears his name, are part of the huge LVMH luxury conglomerate headed by Bernard Arnault, to which they are together worth around £200m a year.

Like other employees, de Givenchy has a contract, which runs out this year. Now 88, he would like to retire to his chateau in Touraine and his other interests such as interior design and collecting art. His collections, though still utterly beautiful and faultlessly executed, are no longer fashion mould-breakers. His two most famous customers, Audrey Hepburn and Jackie Onassis, are dead.

Meanwhile, both Arnault and Richard Simonin, the couture managing director, are trying to persuade him to stay. De Givenchy has been in sole design charge of his house for 42 years and there is no obvious successor, no *fil spirituel*, as Simonin puts it, to carry on the house's instantly-recognisable image. But Givenchy is too good a business to be allowed to fade into obscurity as some other couture houses have.

This problem has always afflicted haute couture. Some of the greatest designers, such as Vionnet or Schiaparelli, retired and closed their houses and are all but forgotten except in the annals of costume history and their periodic influence on current design. When couture was the main source of fashion, another designer would always rise to take the creative lead. Now that ready-



The chameleon of the catwalk: Karl Lagerfeld has revived Chanel, remaining true to Coco's style while adding a modern twist



Vintage Givenchy: organdy blouse, satin skirt 1952

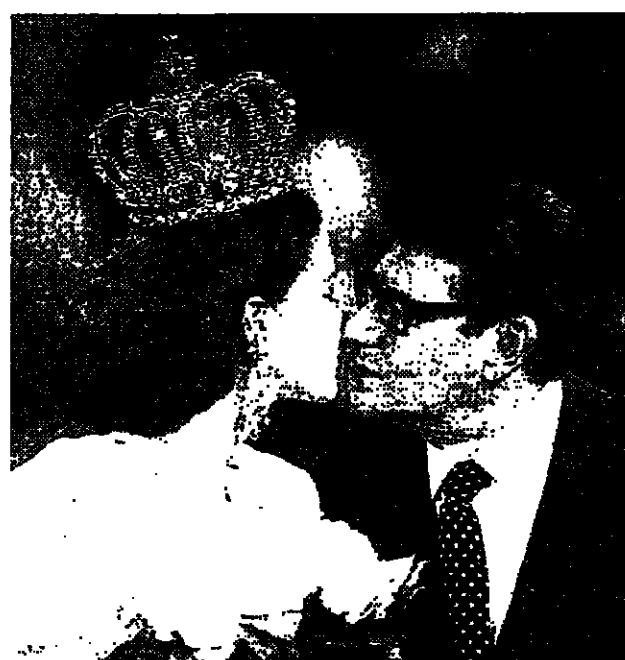
to-wear dominates the market, the question of the succession is a threat to couture as a whole.

The houses which strive to maintain couture all see it as essential to the creative heart of the business. Emanuel Ungaro told me last year, when he launched his limited-edition perfume, *Ombre de la Nuit*, that without couture "none of the ready-to-wear or diffusion ranges would exist because they flow from the ideas that couture gives me free rein to develop". Gilles Fuchs, the chairman of Nina Ricci, another house which has seen changes, describes the couture as "the stable, central point around which other activities revolve".

The only dissenting voice is Yves St Laurent's business partner, Pierre Bergé. He has been asked many times about the succession because of the designer's famously fragile health and has said that, if St Laurent retires, the house will produce no more couture, perhaps recognising that no designer could reasonably be asked to follow such a unique genius. The ready-to-wear, already mainly designed by others, would continue.

Perhaps Bergé is being realistic. Couture cannot make money: shows cost up to £1m a time and the average house's clientele number a few hundred at most. But couture's value lies in publicity which encourages the sale of perfume, accessories and other spin-offs.

Givenchy's collections are not the stuff of which tabloid fashion spreads are made. Yet, says Peter Norman, the firm's British director, the show is "seen as part of the advertising



King Yves: the house of St Laurent lacks an heir to the crown

budget". To gain most publicity the choice of designer is crucial, hence the delicate situation at Givenchy. A glance at the experience of other houses is hardly encouraging. The headline-grabbing, creatively vigorous houses are mainly those where a relatively young designer is working under his own name unhampered by the baggage of a house image. Versace and Lacroix are obvious examples. Where the houses have slipped away from fashion's leading edge, as Torrente and Carven have done, they may still show to clients but they get little publicity.

A new designer at an old house comes under instant critical scrutiny. Will he or she raise or condemn the firm's fortunes? Not all such marriages have lasted long, especially where the designer has a strong vision. Patou has not had a collection since Christian Lacroix's few spectacular seasons ended in 1987 and survives on its perfume and accessories business. Lacroix has a prodigious talent but his highly decorated style with its historical references was hardly compatible with relaxed sportswear.

Similarly, Lanvin had a brief flirtation with Claude Montana, whose modernist and pure talent for cutting would perhaps be better employed

reviving the fortunes of Balenciaga (another faded house) whose design spirit Montana appears to espouse. What both these strong-minded designers needed, of course, was their own couture house. So far, Lacroix has been lucky. Montana has not.

Houses with more anodyne designers have fared better. In spite of constant rumour, Gianfranco Ferré is still in place after four years at Dior (along with Lacroix, also LVMH-controlled) - couture sales are mainly in classic tailoring at which both Ferré and the house excel. The American Oscar de la Renta has moved almost seamlessly into Balmain, though his designs

hardly break new ground. Michel Klein appears to be establishing himself, after a patchy start, at Guy Laroche.

The huge success story of couture-house revival, which should give any chairman thinking of hiring a new designer pause for thought, is Chanel. After Mademoiselle Coco's death in 1971, the house continued to turn out the same distinctive styles which became outmoded.

"With no strong designer, the workrooms had the craft but not the creativity," says Bernadette Rendall, Chanel's London director.

This changed in 1984 with the arrival of Karl Lagerfeld as design director, a masterstroke

increasing rapidly: due to Lagerfeld's talent and an aggressive sales policy.

Finding another Lagerfeld would be difficult. No wonder other houses prefer to stick with the devil they know until they are forced to act.

At Nina Ricci, a methodical revamp is under way fuelled by its £140m annual turnover, of which 70 per cent comes from the perfume and beauty side.

Two years ago it introduced a first make-up range, the highly successful *Tout Ricci*, with striking packaging by Garouste and Bonetti, the French design duo who created Christian Lacroix's much-photographed couture salon. They have also designed the unusual packaging for Deci Dela, a fruity new Ricci perfume which sold 2m bottles in the run-up to Christmas.

Young designer Myriam Schaefer, former assistant to Jean-Paul Gaultier, has brought much-needed modern tailoring to the femininity of the ready-to-wear and regained stockists who had long since given up on the collection. Her friend, furniture designer Christian Astugueville has modernised the jewellery and accessories.

Only the couture remains unchanged. Designer Gérard Pipart celebrates 30 years as its head with his show tomorrow and his style now, though undoubtedly feminine and pretty in the Ricci spirit, has little bearing on current fashion. Fuchs, however, backs him unreservedly and will probably continue to do so until he wishes to retire, even if Pipart's couture lags behind Ricci's modern new image.

All these experiences are doubtless being mulled over at Givenchy. Simonin believes that new blood "could bring new inspiration as long as it respects the spirit of the house. Some old fans would be disappointed but we recognise the need to move on." He also realises that "the day Givenchy retires there will be huge controversy about who takes over at such an institution".

The rumour mill has already churned out the name of British Designer of the Year John Galiano, now based in Paris. Although he is a leading exponent of couture-inspired glamour not unlike some of Givenchy's early designs, and although his meticulous technique is based on couture standards, his talent is so mercurial that by next year his inspiration could be something quite different and he is probably another designer who would be happier with his own house.

Simonin is adamant that no decision is near, that although a change will be necessary, "now is not yet the time". He is also determined that couture will continue as "the heart and inspiration" of the house. A date for showing the autumn collection in July has already been pencilled in. Whether Hubert de Givenchy designs it, only he himself can say.

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OUTDOORS

Gardening

# A good garden must have backbone

Robin Lane Fox considers the need for taking the long view



In my mind's eye, I see you this week with new possibilities stretching before you: a new garden, an old garden which needs new love and attention or a bit of a garden which you want to improve.

On wet days, you have been retreating in order to garden in the mind; on the few sunny alternatives, the old enthusiasm returns and you feel that this year you will make more of an impact. I know this cycle of expectations because I started young on it too. So what have I learned for you all from sweet experience?

One reader has written with evidence that I ought to have learnt more about the dreaded leylandii cypress. He agrees that old, unclipped plants are dreadful, but he points out that young plants will remain compact and discreet if clipped hard from their first year onwards not once, but twice during the season. His photographs show that he is a very able hedge-cutter and I certainly trust him.

I mention this evidence because it runs against a piece of advice which I would otherwise choose before all others. When you settle down to choose your plants, never be put off a variety because it grows slowly or takes several years to show its pace.

Once, I had ample time on my side and then, especially, I was impatient. Instead of slow magnolias, I planted more philadelphus; winter sweet was banned because it took seven years to flower; instead, I savoured abutilons because

they grow sky-high in their second season.

The faster they grow, the further they usually fall. In winter, you see the scars of impatience, either because the frost kills fast movers or because fast plants look very undistinguished without their leaves.

When you start out, many will tell you to plant trees and hedges and describe them as the garden's bones. They will encourage you to think that you can sort out the basics in only one year.

They will also encourage you to think only of big trees and evergreen hedges as the main structure in the garden. In winter, you can see otherwise if you look beyond the advice. The backbone lies in evergreens and well-shaped plants at all levels, and especially if they are winter-flowering shrubs. When I began, I knew that winter plants were worthwhile, but only recently have I fully understood why great gardeners use them freely.

Shrubs such as Mahonia Charity or the small, sweetly-scented Sarcoxa are a pleasure and they have the backbone quality of good, well-formed evergreen leaves. I realise now that the bones of a garden are particularly important immediately around the

house itself. There is an art of transition between the building and the garden which is not just prone to jargon from designers. It is the aspect which every garden-owner has to conquer, however small the property, and it is the one which good designers will always do something to improve at your expense.

The backbones of a garden do not have to be clipped or bought at expensive sizes. Yet

and box are the basics, but do remember ordinary rosemary wherever you want a green presence, a firm shape and a quick return. It is an object lesson in the value of clipping a familiar plant in order to make it effective.

Of course I have my personal favourites among unusual backbones: hedges of clipped Osmarea or blocks of the pale variegated Rhamnus, which is surprisingly hardy against a

wall. But I have also relearned the value of familiar plants which have been abused as despairing "ground-cover" or dotted around near the fumes from roads. I think of cherry laurel and the grey-leaved Senecio, two backbones which are usually banished to miserable places in towns. If you give them open, clean sites and clip them, they are transformed.

The cherry laurel is Prunus Laurocerasus and if you clip it

as firmly as my reader's leylandii, it makes a smart, quick hedge of considerable width. Senecio needs to be clipped too because its flowers are usually intolerable. On a slope, at strategic points, or against a good evergreen hedge, it looks several classes better than usual.

Satsias are another good backbone, but they suffer by being banished to dark corners simply because they will survive there too.

Do not be scared of slow-growers. Do not be scornful of familiar plants which have the unfortunate quality of surviving in awful places. Both types of plant will be twice as good if you show them the courtesy of patience and a proper home. I refuse to believe that anyone can lay out the bones of a truly personal garden in one year.

As your first trees and hedges mature, you are sure to see further possibilities because of their new shapes. In their turn, they change the landscape so that one idea leads to another.

Of course, you can hand the job to a designer and expect to pay a fee for only one season. The result is bound to be more predictable and conventional because you deny yourself the chance of building on the outlines as they develop.

This denial has a long history. Evidently, it was the manner of Capability Brown and his patrons in the 18th century. Brown's method was to plant too thickly in the various clumps of trees which he distributed around a client's park. Subsequent work was to thin them out, reducing the outline, not adding to it. His critics then complained that his designs were becoming stunted, but it might have been different if his patrons had had him back every 10 years to adjust and improve his initial groundplan.

Onlookers may tell you that a garden needs seven years before it is fully established; then, visitors will come and size it up. If you want a personal garden not a designer's, I know that this saying is nonsense. The first seven years throws up a pattern at all levels, from the easier height of trees and hedges to the challenge of the small hardy plants. During these years, you should build on what emerges and keep an open mind, ready to adjust and add in the light of it. Gardens are sometimes described as rooms, but unlike rooms, they cannot be sorted out once and for all in a few months.

What, if anything, should you read in order to provoke you and sharpen your eye? In almost every winter since its first publication in 1982, I return to Russell Page's *Education of a Gardener*. It will not tell you what to plant and at times, you will wish that it came down to earth and that the second part was as good as the first.

Russell Page enjoyed the friendship and patronage of some very rich gardeners, especially in France. He had an eye and a conviction which are not to be found in more humdrum works.

From his own curious life, he brought a curious mind and a wide personal culture to his art. I remember many passing judgments, but one in particular. "In all the great moments in gardening, it would seem as if it is empty space, captured and held by the latest and simplest framework which holds the secret."

How absurd. I first thought. Perhaps there is something in it. I then thought. Nonsense. I told myself many times later I continue to disagree with it. But the insight reminds you to look not just at a garden's backbone or flowers but at the proportion and use of space around and between them.

As winters pass, I still find myself pondering the first part of this book which forces me to look again by so many assured remarks. It has just been reissued by Collins at £9.99. In paperback, four times the price of my original hardback, but it is still worth any self-educating gardener's time.

Environment

## Wildlife has its price

Michael Wigan on the farmers who feel they are being singled out

Farmers of land alongside the river Ythan in the Grampians have cause to look on the famous estuary birds - ringed plover, knor, redshank, oystercatcher, dunlin, curlew - with a jaundiced eye.

These birds are going to cost some of them large sums of money. Owning ground with wildlife on it - even ground which drains into far-off wildlife reserves - has become more of a curse than a privilege.

The 68,000-hectare Ythan catchment is being proposed by the Scottish Agriculture and Fisheries Department as a Nitrate Vulnerable Zone (NVZ) under the EU Nitrates Directive. If designation is finalised (it was due in December 1993) the 700-odd farmers in the Ythan area will face new codes of agricultural practice.

The central regulation will be to limit applications of manure to fertilise fields. Applications of inorganic fertilisers will also be limited, and detailed records of all field dressings will have to be kept. Excessive use of nitrates is already covered by a 1990 scheme called Nitrate Sensitive Areas. But it applied only to England and Wales; it was voluntary, and farmers were paid compensation for the extra costs and lower levels of production which resulted.

When the proposals for the Ythan area were published, the agriculture department was bombarded with objections from farmers who saw Brussels imposing restrictive agricultural practices, coupled with talk of heavy penalties for non-compliance - five years in prison, for example.

Above all, the farmers feel the Ythan has been singled out because of its birds and the nature reserve. They said other rivers and estuaries with similar nitrate profiles to the Ythan, but no bird reserve, were being threatened with NVZ status. And of all the proposals for NVZs (two in Scotland and more than 70 in England and Wales) the Ythan is the only one being presented on the grounds of eutrophication (the process in which nitrogen compounds enrich water to produce an effluence of weed). All of the others are to do with nitrate levels in supplies of potable water.

The North East River Purification Board (one of the statutory bodies responsible for water quality in Scotland) was concerned that this growth of green slime was smothering a shrimp-like creature called corophium, which was food for both fish and birds.

The board went on to conclude that as only two per cent of nitrate in the catchment came from sewer outfalls, the rest must be derived from agriculture. It added that nitrogen use had multiplied in the Ythan area by four times in 25 years.

But the link between the weed-mat and agricultural inputs was never proved.

Defending the Ythan farmers, the Scottish Landowners Federation has suggested other possible sources of the nitrate which has not been examined (such as the atmosphere), and has painted a picture of potential "blight" resulting from designation. The federation claims capital values of farms and agricultural rents will fall, and a climate of caution will cloud development in the area.

Enlarging on this theme, Alec Sinclair of the Scottish Agricultural College in Aberdeen points out that today's farmers are picking up the bill for up to 100 years of agricultural practices, all of them approved by the authorities at the time. Growing nitrogen-fixing clovers, and putting on nitrogen-rich manures, were sound agricultural practices as recommended by government

It is said that capital values of farms and agricultural rents will fall, and a climate of caution will cloud the area

until very recently. Sinclair focused on the Ythan's intensive livestock farmers who face the particular problem of disposing of slurry. In the NVZ, they will rapidly reach the limit on their own land - one hectare can only take the waste from 23 pigs of 70kg each. Intensive producers with thousands of pigs will have vast quantities of slurry to get rid of. Sinclair knows of one farmer who would have to cut his production five-fold to fall within the regulations.

Furthermore, there will be long periods in winter during which manure cannot be used on fields at all, because the ground will not absorb a sufficient amount of its nitrogen. This has means some farmers will need additional slurry storage capacity, an expensive capital item.

Estate agents in the Ythan area are already promoting sale properties as being outside the proposed NVZ. Land plagued by designations, with their burdens of cost, responsibility, and constant monitoring by officials, may gradually become less desirable.

It could be that in the future, those properties which have no nature interest at all, veritable ecological deserts, will sell at a premium.

Meanwhile, the Ythan has experienced some wild weather this winter. This is thought to have produced a more efficient uptake of nitrogen in the soil and reduced the amount reaching the estuary, to the extent that, ironically, the slime has disappeared of its own accord.



Grunting and growling: Swanwick attacks the mountain

Skiing

## Taking it to extremes

Arnie Wilson meets an almost-British world champion

David Swanwick, the world's best extreme skier, will take on the best of the rest in Chamonix, France, next month.

He is 25, with blond hair, piercing blue eyes, the thinnest of goatee beards, and works as a ski patrolman at Crested Butte, Colorado.

"Swanny", as he is known in the Rockies, has an older brother born in Britain and British parents. Had it not been for their decision to emigrate to New York two years before he was born, he would have been British himself.

A British world-champion skier? Surely the British do not beat the rest of the world in any ski challenge, let alone in the rarefied world of extreme terrain with its rocks, gullies, chutes and leaps of as much as 65ft?

Well, with dual nationality, Swanwick just about qualifies.

He often returns to the UK for a quick visit, and enjoys the occasional pub-crawl (or "beer tour" as he calls it) in Canterbury, a city known for its rich variety of hostels.

Remarkably, the world champion woman extreme skier is also British: a former British Alpine champion, Vaila MacDonald, a Scot.

According to Crested Butte magazine, Swanwick attacks the mountain "grunting, growling and roaring with Thunder Bars (slabs of confectionery designed to give athletes energy) and adrenalin." He won the US Extreme Skiing Championships on his home snow in Crested Butte (famous for its steep terrain) and then won the World Championships in Valdez, Alaska.

"You'll see me snarling and breathing as hard as I can. I enjoy attacking the hill, but it's like doing battle," says Swanwick.



Swanwick: no typical ski bum

Although he has skied since he was two years old, Swanwick is hardly a typical ski bum.

The grandson of a British judge, he majored in political science and studied philosophy

and French at the University of Vermont, and spent a year at university in Grenoble, conveniently near the mountains.

His career as a stockbroker is on hold - indefinitely. "Why would I want to go sit in an office in the city?" he says.

"I got my first big air (a huge jump) in Alaska by accident," he says. "I wanted to come over this crest making turns, but I came off the chute above going too fast. I saw the rocks below and just picked my feet up. It was an amazing experience."

"I discovered that if you come at a jump at speed, when you land you can skip off the snow instead of hitting it hard."

But Swanwick always calculates the odds very carefully. He knows extreme skiing is dangerous - which is, of course, the very essence of its appeal.

Drink-driving is an emotive subject. So emotive, indeed, that to question any move aimed at curbing it is to risk being accused of speaking up for sin itself.

I was caught up in the pre-Christmas drink-driving campaign. It was mid-afternoon. Every car passing through a village on the Kent-Sussex border was waved into a lay-by. There was no question of drivers being suspected of having committed any kind of traffic offence.

"Just a routine check, sir," said one of four policemen operating the trap as I stopped and lowered the window.

Before I could ask what he was going to check, the question came. Had I been drinking? "Certainly not," I said. To which he replied: "Well, in that case I had better have a look at your tyres."

Stopping large numbers of apparently law-abiding motorists at random cannot be the best way of putting off the road what is recognised officially as a hard core of offenders.

These are the people who drive dangerously after heavy drinking and to whom the "don't drink and drive" message means nothing. I suspect they also drive pretty dangerously when they are sober.

Concentrating police effort upon them should not be too difficult. Surely they can be spotted as they lurch out of pubs at closing time, get into their cars and drive away erratically?

Stopping and breath-testing them 100 yards down the road would have a high success rate - and the public would be protected better.

David Williams, Surrey's chief constable and secretary of the traffic committee of the Association of Chief Police Officers, is not alone in having doubts about present methods, especially their use of manpower.

He suggests that concentrated year-end drink-driving campaigns, with mid-summer repeats, have reached a plateau of effectiveness and sees a need for better targeting.

Every alcohol-related road death or serious injury is a personal tragedy and a blot on society. But so are the far greater number caused by carelessness, impatience, aggression and plain stupidity when drink is not involved. We can take some comfort from the statistics.

Total road deaths and serious injuries in Britain continue to decline, year on year. The proportion of motorists who failed or refused to take breath tests this Christmas fell for the third straight year, from 6.81 per cent to 6.04.

If road accidents and casualties are to be cut substantially, it will come from education. For a start, this must eliminate the idea that driving a car is a cross between a sporting challenge and a demonstration of personal virility. It must aim to persuade every motorist

that bad driving - the sort that is careless, aggressive and, of course, alcohol-influenced - is unacceptable.

A most valuable form of motoring education is defensive driver training. It teaches you to assume every other person on the road is potentially a homicidal maniac and to drive accordingly.

A survey by Lease Plan, a vehicle leasing and fleet management company, makes some interesting points. Company car drivers generally have a poor safety record. But at one fleet where they were given defensive training, accidents fell by 59 per cent and their individual repair cost from £720 to £280.

The survey showed, however, that only 10 per cent of fleets were signing up for driver training, although 63 per cent of drivers said they were all in favour of it. Time for a re-think, perhaps?

## Toyota 4x4 is not so slippery

The Jeep Cherokee I used over Christmas and new year met neither snow nor flood water, but its four-wheel drive and anti-lock brakes made it feel reassuringly secure on frost-slippery country roads. The furnace-like heater, plus air conditioning, smooth automatic transmission, cushioned ride and civilised demeanour were appreciated, too.

The Toyota RAV4 is pitched at much younger buyers; perhaps at the sons and daughters of Cherokee owners, who will see it as a trendy alternative to a VW Golf GTI. Sagely, Toyota calls it a "urban 4x4" and assumes it will be used mainly on the road with occasional excursions to beaches or ski slopes.

It has big wheels and permanent four-wheel drive. All-independent suspension and a very wide track give it better handling on the road than any rival. A lusty two-litre, 125-horsepower engine makes it go more like a hot hatchback than an off-roader.

The front seats are big and comfortable, the folding rear ones less so. And space for bulky luggage, even as a two-seater, is adequate rather than generous. Reckon on about 30 miles per gallon (88.4/100km), providing you do not spend too much time leaving the opposition standing at traffic lights, something it does very well, especially on wet roads. Prices start at £13,086.

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## BOOKS

This is a wonderful book. I found myself alternately inspired and dejected. Meticulous scholarship; the illumination of passages in history hitherto obscure; stimulating and original trails of philosophic enquiry, and the whole supported by as comprehensive and informative a set of footnotes as you could find this side of Wade-Gery's lost Anglo-Greek lexicon.

Dejected? Well, yes. Who is going to read this book? How many copies will be sold? The toxic consumerism which has come to eliminate almost any link between quality and reward could scarcely be better illustrated than by the contrast between the modest novelist, struttingly assertive of his right to a half million pounds for 180 pages of demi-trash, and the discreet but

# The privilege of property eroded

Human greed has blighted the evolution of ownership, writes Alan Clark

peniless integrity of this work. "Property is theft" declaimed Proudhon, articulating that favourite text of all those anarchists and Trotskyites who want everyone to be paid, not in money but in coupons exchangeable in the workers' emporium regardless of whether they are brain surgeons or shop floor conveners. Certainly the origins of all ownership must be founded in prowess at arms. But it is now the very basis of responsible citizenship, rooted in instinct from Capability Brown parkland to a single blanket in the Gulag.

Human greed, though, has blighted its evolution. And never less than when human lives – particularly women and slaves – were treated as property also. The tenets justifying this were as illogical as they were convenient. Practically everyone owning property believed themselves to be in a special, fore-ordained category of privilege.

As a legal opinion (1730) from the sugar plantations of the West Indies put it: "The slaves... being for the Brutishness of their Nature no otherwise valued or esteemed amongst us than as our goods and Chattels or other personal Estates." And indeed, if a slave was killed

exploit Negroes as chattel labourers in the cause of profit, could effectively make the transition to English country gentleman.

As for wives and daughters, "the inherently weak, frivolous and light-headed nature of the female sex" relieved them of any power to bring a legal action without the consent of their husband or – if unmarried – their father or guardian. The consequent malpractice; the cruelty and exploitation that endured for centuries, makes it remarkable that Victorian, or even Mills and Boon authors could write about anything else. Only legisla-

tion could alter this, but "No property – no money. No money – no law. No law – no vote".

The Chartist O'Brien explained their plight: "Knaves will tell you that it is because you have no property, you are unrepresented. I tell you on the contrary, it is because you are unrepresented that you have no property... your poverty is the result, not the cause of your being unrepresented".

There will be many subscribers to the FT who deal in property. They will be better off having bought *Early Modern Conceptions of Property*, and absorbed its content.

As a grounding in expertise, this anthology is the intellectual counterweight to a practical apprenticeship of surveys and rent collection in "difficult" areas. And who is there, having had problems with "gearing" who will not benefit from a look at the history of credit: "Credit became, like printed language, simultaneously more accessible and more illusory. More could have it, but those who had it did not know what it was... words and credit instruments seemed to have only the fragile and fleeting value that human (imaginary) symbolic systems could give them. If one stopped thinking their relations, they would cease to exist".

And that was in the 17th century. How many hundreds of trillions of credit do now cantilever western economies over the abyss of bankruptcy?

## EARLY MODERN CONCEPTIONS OF PROPERTY

ed by John Brewer and Susan Staves

Routledge £90, 592 pages

## Dissolution of the Knights

The front-cover title with its scene of burning monks is appetising. On the back cover is an enticing list of the "supremely abominable crimes" alleged to have been committed by the Knights Templar. The meat inside the sandwich, however, while filling, is not so lip-smackingly salacious as the wrapping suggests.

Edward Burman concentrates on just four and a half years of the Templars' history: from the dawn of the French members of the order on Friday, October 13, 1307 until the order's suppression, guilt undecided, on March 22, 1312.

The disadvantage of this worm's-eye perspective is that the narrative becomes as dry as the meticulous court records upon which it is based. The author is scrupulous, avoiding the mish-mash of fact and fantasy which has accumulated around the Templars' reputation (as forerunners of the Freemasons in Scotland, for example), but in the process leaves his novice reader praying for more historical context.

The author makes it plain that the Templar trial was, in modern terms, a frame-up. The niggling thoroughness of the process was quite spurious: for the wretched warrior-monks and serving brothers were starved and tortured into confessions designed to satisfy the Inquisition.

Although ably defended by Pierre de Bologna and others (these advocates all disappeared), the brothers were badly let down by their own Master, Jacques de Molay, who caved in after only 12 days and did not retract his confession until tied to the stake. The prisoners were also vastly encouraged – in the French sense – by the mass burning of 54 of their number in May, 1310 on a field just outside Paris near the present Place de la Bastille.

According to the 127 charges on the sheet, new entrants to the order were required to deny Christ, spit on the crucifix, give or receive a kiss on the buttocks and venerate a bearded idol. The brothers were further accused of sodomy, secrecy,

greed and property speculation. It was assumed, says Burman, that the show trial was a ploy by Philip IV ("the Fair") of France to get his hands on the Templars' vast wealth. Burman casts doubt on this interpretation, quoting Philip's final, successful appeal to Pope Clement V to suppress the order and give its assets to other crusading fraternities.

The beneficiary, outside Spain, Portugal and Mallorca was the Order of the Hospital of St John, the "Hospitallers". Most of the estimated 2,000 French Templars survived the purge, and with the rest of the 15,000 members of the fraternity were allowed to melt quietly away. Some remained on Templar property and even drew a pension.

**SUPREMACY OF ABOMINABLE CRIMES: THE TRIAL OF THE KNIGHTS TEMPLAR**  
by Edward Burman  
Allison & Busby £18, 296 pages

But were the Templars innocent? It is not clear from this account whether there was any truth in the accusations, or whether instead the 200-year-old order had become so grasping and degenerate that it was inviting its own dissolution.

Burman points to the apparent dim-wittedness of many of the knights and brothers swept up in the 1310 trial. There were mutterings of collaboration with the Saracens, of the knights' love of plunder and distaste for fighting. Perhaps, after the loss of Acre in 1291, the Templars were anyway doomed.

It is a story without a climax or conclusion. In Burman's careful hands it is authoritatively told but too often dense, technical and weighed down by detail. If the characters fall for the most part to get up off the page, the conflict between the king with his temporal might, and the Pope with his spiritual authority, at least provides a dramatic backdrop.

Christian Tyler



A Rabari woman from Gujarat, India puts the finishing touches to an intricate clay bas-relief panel on the wall of her home; mirrored pieces of glass are inserted to create a glittering effect. The growing taste for ethnic designs in western countries is drawing increasing attention to traditional Rabari craftsmanship, causing more and more women to turn to embroidery as a source of income. Taken from 'Painted Prayers: Women's Art in Village India' (Thames & Hudson, £40) by Stephen P. Huyler

## Spell-bound by Stevenson

A apology is neither needed nor offered for returning to the Yale edition of the collected letters of Robert Louis Stevenson. This has been one of the most exciting events of the publishing year. The first four volumes – elegant, covetable, definitively edited by Ernest Mehew appeared in 1994; the fifth and sixth instalments have arrived this month; the final two volumes will be with us by mid-summer. They are not of merely academic interest; they are, in a word, spell-binding, and no-one who responds to Stevenson will willingly miss them.

Why? Because Louis was an entrancing personality and his letters are packed with fun and mischief, wit and wisdom. He was, as we all know, chronically and gravely ill. His American wife Fanny was also frequently sick and their medical plight features prominently in all these volumes. But there is no gloom or self-pity in the letters.

What do we find in the most recent selection? Volume III had covered the difficult period in California (when he damaged his health for ever by crossing the Atlantic to claim Fanny), Davos and Scotland, when he nevertheless made the breakthrough with *Treasure Island*, written in an extraordinary double-burst of creativity, inspired by an afternoon fantasy with his stepson ("the trouble is to work it off without oaths. Buccaneers without oaths – bricks without straw. But youth and the fond parent have to be consulted..."). At this time, too, he wrote the well-known epitaph ("Home is the sailor, home from sea, And the hunter home from the hill..."), to which he added, "You who pass this grave, put aside hatred; love kindness; be all services remembered in your heart and all offences pardoned; and as you go down among the living, let this be your question: Can I make some one happier this day before I lie down to sleep?"

By Volume V he is in Bourne-mouth, of all places, for three years

in vain search of better health. That produced *Dr Jekyll and Mr Hyde*, which made him famous for ever. Then – as he became a friend of Henry James, wrote affectionately to Rodin, read *Crime and Punishment* and reprimanded Rider Haggard for his slapdash early chapters – he was working on *Kidnapped* ("I began it partly as a lark, partly as a pot-bolter, and suddenly it moved. David and Alan stepped out from the canvas, and I found I was in another world...").

His father died in 1887 and he was enabled, in Volume VI, to set off with his splendid mother as well as wife and stepson for the Adlon-

**THE LETTERS OF ROBERT LOUIS STEVENSON**  
VOLUMES V & VI  
edited by Bradford A Booth and Ernest Mehew  
Yale £95 each

dacks and then the South Seas, "after health, sport and bankruptcy". That period, till 1890, takes in the painful row with his friend W.E. Henley (model for Long John Silver), the sustained friendship with Henry James ("I must break out with the news that I can't bear *Portrait of a Lady*"), a meeting with Mark Twain, and then the new life – almost literally so – in Oceania.

As he wrote to James in 1889, "Judge me tenderly. I have had more fun and pleasure of my life these past months than ever before, and more health than any time in ten long years". And Fanny added, to Sidney Colvin a year later, "I wish you could see him in Samoa walking, riding, living like a human being as he has not done for so many years. Do you know, sometime he waked me up in the night that I might speak to him and assure him that it was no dream but that he was well like other people!" He had just four happy and productive years ahead of him.

J.D.F. Jones

The thesis is plausible enough. International finance is fast moving, competitive and deals with massive amounts of money. Even popular newspapers now have regular City sections. A well-written financial thriller ought to appeal to as broad an audience as a well-written horse-racing thriller. A new genre is itching to be born.

But it has been a phantom pregnancy. What is not yet clear is whether the thesis itself is fundamentally flawed, or whether the financial thrillers produced so far are just badly written.

The most interesting aspect of the latest offering, Michael Ridpath's first novel *Free to Trade*, is that he is being paid a very large amount of money for it. By profession a junk bond trader, Ridpath appears to have made the trade of a lifetime. Expensive promo-

## Finance short on thrills

Junk bonds and murder deserve better, says Gillian O'Connor

tion may succeed in turning it into a best-seller, but *Free to Trade* is depressingly short on thrills.

One problem may be that Ridpath is a man with a mission: he told an interviewer that he wants to correct popular misconceptions about the financial world – such as the ludicrous idea that it is full of greed and conspicuous consumption.

So the good guys in *Free to Trade* are determined ordinary clean-living people. The hero, Paul Murray, is a junior bond trader. But he lives in a different world from the Big Swinging Dicks of Michael Lewis's *Liar's*

**FREE TO TRADE**  
by Michael Ridpath  
Heinemann £10, 352 pages

executive jets, no trophy wives, and Muscadet rather than Champagne.

Harmless enough, perhaps. Unfortunately Ridpath/Murray is also the archetypal party bore who tells you more than you want to know about his job/hobby/new baby. Here is Murray being sold a new Swed-

ish eurobond: "It's five hundred million dollars with a coupon of 9% per cent. Maturity is ten years. It is offered at 98. The yield is 9.41. Got that?"

"Got it."

"The Swedes were borrowing \$500m through the means of a eurobond issue. They were using Bloomfield Weiss as underwriter. It was Bloomfield Weiss's job to sell the bonds to investors; the term 'euro' meant that it would be sold to investors all over the world."

Ridpath would probably make a reliable police witness; he might even write a competent manual for trainee bond

traders. But *Free to Trade* is being sold as a novel. At the least, such information overload needs to be leavened. And to be fair to Ridpath, he realises this.

Hence the neat little plot. Debbie, the colleague Paul might have got round to dating if he had managed to pull his eyes off his calculator, is murdered. Paul, being Paul, does lots of sums and even goes across to New York, Phoenix and Las Vegas to find and unravel the crooked deal which Debbie had begun to suspect before her death. He goes for more runs, outwits a murderer, does a lot more sums and unmasks the villains

just in time to prevent his shiny new girlfriend getting bumped off too.

What more could you want? Well, the really picky reader might put in a plea for a few slightly rounded characters. We know on his first appearance that the chief murderer, Joe, is shaping up as a villain: he has "strangely limp blue eyes... pale blue, dead, the pupils almost invisible pin-points." Next time we meet Joe, we discover that this man with his "cold, unmoving, lifeless stare" beats his wife and carries a knife. And, blow me, even in Central Park, up pops Joe with his knife, "his dead eyes locked on mine".

The less demanding reader would probably settle happily enough for a bit of greed and conspicuous consumption. Bring on the trophy wives and champagne, and let's have a bit of *fin-de-siècle* decadence.

## A novel look at philosophy

But this author is no Lewis Carroll, writes Christian Tyler

The success of *Sophie's World* is a bit of a mystery. Described by its publishers as "the history of philosophy that thinks its a novel", the book is said to be a best-seller in Scandinavia and in Germany, where half a million hardback copies have been sold, and is being translated into no fewer than 15 languages.

though she is in other ways a perfectly correct little feminist. Her intellectual affair with the odd Knox is cut short not – as it undoubtedly would be in real life – by the downtrodden mother but by Sophie's gradual realisation that she is merely a fictional character in a philosophy primer being written by a Norwegian army officer serving with the UN in Lebanon for his daughter's 15th birthday. And with that, the story more or less evaporates.

**SOPHIE'S WORLD**  
by Jostein Gaarder  
Phoenix £16.99, 340 pages

It is a shame that Gaarder's book reads like the dim fantasy of a frustrated middle-aged philosophy teacher. His subject is important, even exciting, and is far too little studied – if it is studied at all – in our schools.

And perhaps this is the reason for its extraordinary success: so far, it is being snapped up by ambitious, serious-minded parents who feel that their children's – maybe their own – education is lacking.

If so, prospective purchasers in the English-speaking countries should consider whether *Sophie's World* is a worthwhile investment. If it is magic they are seeking, they will be disappointed. If it is philosophy, then there are better introductions on the market.

The *Djinn in the Nightingale's Eye* is a collection of five fairy stories; three of them may well be familiar to Byatt fans (two are pulled from her Booker-winning *Possession*). The two new pieces are *Dragons' Breath* (written in aid of a project for Sarajevo) and the novella-like *The Djinn in the Nightingale's Eye* (nightingale's eye is a sort of glass). The fairy story is obviously a form that fascinates A.S. Byatt. It suits her spare, cool prose and this collection enables her to create very different effects. *Dragons' Breath*, appropriately for a fiction inspired by Bosnia, is a nightmarish vision of evil as a village is destroyed by the passage of creeping dragons. "The old women said that old tales told

that dragons' breath paralysed the will..." Not a story that will be required reading at the UN.

The eponymous "Djinn" is a story about Dr Gillian Perholt, a narratologist, who goes to Turkey on a British Council jaunt. Although it begins with the "once upon a time" formula this is an adult fairy story, since we get musings on George Eliot and our heroine beds the djinn.

The story skillfully mixes mundane tourism, lit crit and the most magical of realism, with dashes of humour: "the filling of the air-waves with politicians, pop-stars, TV evangelists, vacuum cleaners, moving forests and travelling deserts, purple felt dinosaurs and insane white puppies – all this deeply saddened the djinn", and like all good fairy stories it can be read at a number of levels. Dr Perholt visits Izmir (Smyrna), one of the reputed

birthplaces of Homer and *Djinn* is very much a story about story-telling. A lot in a few pages, and a beautifully produced book.

Hugo Hamilton is a Dubliner and one of Ireland's leading novelists; *The Love Test* will enable him to stake a claim as a leading German novelist. One of Faber's new original paperback series and part of its New Year Irish offensive, *The Love Test* is set in present day Berlin and deals with the fascination of Mathias, a journalist, for Christa, a victim of the Stasi, the adulterous goings-on of Claudia, Mathias's wife, and the resulting domestic turbulence.

Hamilton's writing is clear and enticing and (helped no doubt by his half German parentage) he presents a convincing picture of life in the unified Germany, with telling observations and humour. A group of Country and Western fans at a

**THE DJINN IN THE NIGHTINGALE'S EYE**  
by A.S. Byatt  
Chatto & Windus £9.99, 280 pages

**THE LOVE TEST**  
by Hugo Hamilton  
Faber £9.99, 198 pages

**MORE MURDERS FOR THE FIRESIDE**  
edited by Maxim Jakubowski  
Pan £5.99, 370 pages

**THE JUDGEMENT OF SOLOMON**  
by Anne Redmon  
Sinclair-Stevenson £9.99, 246 pages

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and Alexandra had once been invited over and found them all talking English amongst themselves in a Texan drawl. "The Love Test" is a sort of Agatha Christie novel. Not a comma too much, not a word out of place. Classy.

*More Murders for the Fireside* is an anthology of skulduggery edited by Maxim Jakubowski, the owner of the Murder One bookshop. Virtually a who's who of the crime-writing profession, there is a wide variety of talent on display here from the Empress of homicide, P.D. James, through Lisa Cody, Ruth Rendell, Ellis Peters, Simon Brett, to the wide-boy Mark Tinkle. My two favourite pieces are Simon Brett's *Big Boy*, *Little Boy*, a classic example of the twist-at-the-end story-telling, and Mark Tinkle's *Sweetheart of the Rodeo*, another stage in his campaign to Chandlerise South London. Award for the best

title must go to Mat Coward for *History Repeats Itself*. And it doesn't even say *Pardon*.

Unfussy, straightforward narration is the hallmark of Anne Redmon's *The Judgement of Solomon*. This is the second volume of her "Byzantine Trilogy", but is a self-contained story set in 1992 on the island of Chios (another claimant for Homer's birthplace). Xenia Phocas, daughter of a ship owner, getting ready for university, ends up going awol and travelling in Turkey with the wild card, Missy Kavanagh, a long-unseen cousin of her aunt. Redmon dissects family relations with great verve.

Her style, however, seems to come from an earlier era, (with undertones of Trollope – Anthony that is) which will endear her to many readers who like expetive-free, linear, gentle reading and will drive others into throwing the book across the room. The following sentence may give you an indication whether it will be to your taste or not: "I expect poor, darling Mummy is tired." Lady Simon said to the child with more opprobrium than sympathy.

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## ARTS

# The last word in castles

Alastair Macaulay reviews a new production of Howard Barker's play

Looking for flaws in Howard Barker's plays is like looking for hay in a haystack. They are under-characterised, straining at the seams with overblown language, and intellectually over-ambitious. And yet I would go out of my way to see one in performance. At their best, they can achieve a strenuous excitement of thought that is rare. They re-examine history, and the premises of the society in which we live.

Watching his 1985 play *The Castle* last week at Riverside Studios, I spent the first half of the play torn between the stimulus of such penetrating historical imagination and the exasperation of his cumbersome language. After the interval, I confess, the play's conceptual thought grew as clotted as its language, so that I gave up the battle. Coming home in the tube, however, I sat opposite people who went on debating the merits and problems of the play: so that, by overhearing them, I was caught up again in the peculiar struggle which Barker so often gives his audiences.

*The Castle's* particular historical subject is the quintessential medieval situation – the return of men from the Crusades. Not only does Stucley, a knight, find as many domestic problems between him and his wife as the warriors returning from the Trojan War, he also creates a vast new problem in the form of a new castle. It is the last word in a new castle. It is more an expression of the defensiveness of the male mind than anything else. So far, Barker's idea is like Wagner's thought about Valhalla in *The Ring*. The fortress may be glorious, but it does nothing but provoke further defensiveness and aggression, and it is part of the masculine power-game, conceived in opposition to feminine principles of intimacy and acceptance of nature. The architect, Krak, says, "It will create enemies where there are none... It makes war necessary."

But Barker – very much the 1980s feminist – takes all this further and shows us that what has flourished in the men's absence has been good old lesbianism. And it is peculiar how

keenly persuasive he makes this, and how interesting the conflict between matriarchal and patriarchal attitudes. (Pasolini's plays have something of this modern reconception of history.) Meanwhile, however, he crams the play with ghoulishly sub-poetic utterance. The lesbian midwife/witch, Skinner, to Ann, the lady of the manor, about Stucley's return: "You won't... go all cream and butter for his paddle?" (As Krak "the architect," says, "Words, like buckets, slop with meanings.")

Then Barker adds new twists of plot and thought, so that Ann falls for Krak and seduces him; he starts to draw architectural plans of the vagina; and then she, losing desire to bring new children into this world, destroys his child in her belly, and thereby herself. Skinner, who survives, ends the play with glimpses of a return to primal anarchy.

It is peculiar how unselfish most of the drama is, because Barker attends so little to making his characters real. Parts of their nervous systems come to life, but other parts are drowned beneath conceptualisation and verbiage. The torture and deaths of Act Two leave most of the audience fairly cold. And by the end it feels that Barker has lost control of his material – that ideas are spilling out of him faster than he can make them credible.

The new production by the Wrestling School, that perfectly named company devoted to Barker's work, will tour Britain and Europe along with two other Barker plays – *Hated Nightfall* (1993) and the chamber-piece *Judith*. Kenny Ireland directs *The Castle*, and has produced vivid performances from his cast of nine. Richard Aylwin's decor cleverly catches contrasting aspects of the play. Nothing is dull, and Barker's ideas and language are rendered with clarity and vigour.

*The Castle* tours to Berlin and Paris in January and February, and tours to Manchester, Sheffield, Nottingham, Plymouth, Edinburgh and Brighton between February and May.



Keith Osborn in 'The Castle': the play's conceptual thought grows as clotted as its language

# Brightman turns governess

Any dramatisation of Henry James's classic story *The Turn of the Screw* depends on the interpretation of the central role, the governess. In the Basingstoke Haymarket production of *The Turn of the Screw*, William Archibald's stage adaptation of the James tale, the governess is Sarah Brightman – and her performance leaves the audience, and the tale, in a quandary. On the one hand, she proves to be a surprisingly accomplished actress who in no way tries to soften the neurosis of the character; on the other hand, she is so thoroughly lacking in spontaneity that we never quite believe in the nervous system she tries so carefully to reveal. Her speaking voice is musical, her figure expressive, and even her silly face, with its saucer eyes and pointy little nose, is theatrical. She catches the governess's extreme gentility, and also her impulsiveness – all with such artfulness, however, that we never surrender.

Adrian Reynolds, directing, presses home the celebrated ambiguities of James's story. Like the governess, we see the ghosts that appear to haunt the old house and its children; but we also see the alarming nature of the governess's nervous intensity. Should she rush to such certainties about the children's complicity with the ghosts? Is her imagination overwrought by sexual frustration? Are the ghosts, indeed, actually the figments of her imagination? Watching, we find it easy to ask these questions.

Reynolds has directed the two children, Catherine Holman as Flora and Edward James Crangle as Miles, to give performances that precisely underline these ambiguities. We see how precocious these children are – how wild in high spirits and how eerily controlled in polite discourse.

But he has directed them so precisely that he robs them of warmth. I suspect that Reynolds has told both them and Brightman exactly what to do at every point, and that they have not yet found the inner motor that should make their performances organic. There is a glacial polish over everything that stops us from caring much about any of them. We want to know what happens next, we are interested in everything as it does happen, but we seem to follow it all from a great distance.

Archibald's adaptation inevitably misses many of James's subtleties, and hurdles through points that should stealthily creep up on us. Still, it is good enough to interest us again in several layers of James's tale; and, in an old-fashioned way, it is stageworthy. Reynolds's direction is both good and old-fashioned in its sheer professionalism; and it is very possible that its central performances will become less contrived as the run continues. I had not known that Brightman could deliver so skilful and varied a performance. One day, when she has learnt to relax, she may surprise us all and become an actress of real power.

Elroy Ashore has designed a single set of immense beauty. It shows us almost of what we need to see – the hall, the stairs, the upper gallery, the various doorways into the house's numerous distant rooms, the glass and the beautiful gardens beyond – and with suggestions of history and charm that are ideal to this story. As we leave the theatre, we find that we have felt more love for this house on stage than for any of the characters who inhabit it.

A.M.

At the Haymarket Theatre, Basingstoke, until February 4.

# Opera in Zurich/Andrew Clark

## Gruberova cracks Donizetti's 'Linda'

using a *file di voce* to round out character, and crowning her performance with a pinpoint high E flat at the end of her mad scene.

While there is never a whisper of doubt about vocal security, Gruberova offers more than a voice-machine. She can still credibly portray the simple country girl who hits the high life in Paris before being re-united with her first love. So I would put this achievement on a par with her Lucia, above her Semiramide, but below her Marie in *La fille du régiment* – the only *bel canto* part that

exploits her gifts as a comedienne.

But what about that rosey plot? Here the verdict is not so clear-cut. The Swiss film-maker Daniel Schmid (*Il bacio di Tosca*) correctly surmised that *Linda di Chamounix* is a romance with lighter moments, lacking the psychological depth of *Lucia di Lammermoor*. So he accepts the work's conventions – keeping his singers close to the footlights in period costume, but using modern stage effects to create a sophisticated decorative framework.

The result, often resembling a succession of camera stills, is less crudely manipulative than his 1987 production of *Guglielmo Tell*, also designed by Erich Wonder. Most of the stage is given over to a bank of subtly-illuminated gazes, which miserably crowd out the action in Act 1. But they lend an eerie depth to the aerial Parisian night-scapes and apricot salon interior of Act 2, which Schmid leaves with a variety of foppish and *demi-mondaine* mimes. And they create a spectacular glacier-vision for Act 3. The one big loser is the chorus.

which is consigned to the orchestra pit.

Deon van der Walt's boyish, un-Italianate Carlo surmounts most of his vocal hurdles with élan, and the supporting cast is excellent – especially the creamy bass of Laszlo Polgar's Prefect, Giorgio Zancanaro makes a dignified Antonio, and Cornelia Kalisch gives a bravura performance in the trouser role of Pierotto, the balladeer whom Schmid transforms into a magical story-teller. Pierotto's hurdy-gurdy accompaniment, one of Donizetti's most original effects, is mesmerically played by Urs Steiger. Adam Fischer's conducting is not bad – but for anyone used to the crisp eloquence of Nello Santi's performances of Italian repertoire in Zurich, it is not good enough.

Sponsored by Bolero. Next performances: tonight, Jan 25, 28, 31, Feb 4, 8, 11. Tel (01) 262 0909.

# Off the Wall/Antony Thorncroft

## Art for all and money for some

Anyone remotely interested in art should pop along to Art 95 at the Business Design Centre in Islington this weekend. Not that the works on display are breathtaking, but because it gives the best available snapshot of the state of the domestic British art market. And Art 95 suggests that, despite foreign adulation of a few conceptualists, our artists are currently small-minded and uninspired.

The big dealers, like Waddington and D'Offay, are sadly missing this year but the young turks – Schubert, who deals in Rachel Whiteread; Jopling, who handles Damien Hirst; and Hue-Williams, Andy Goldsworthy's dealer – have been lured in by give-away space rates, and there is the usual spread of enduring galleries like Annelly Juda, Piccadilly, Flowers East, and Agnew's.

The best buys are among the prints and etchings. Works by Paula Rego, Ken Currie, Adrian Wisniewski, Stephen Conroy, Fred Cumming and more, can be acquired for well under £1,000. Then there are the country dealers, many of which stock decorative art: a group of Belgian dealers who look good when compared with the local competition; and a display of paintings by the late Miles Davis, whose work is as dark, primitive and abstract as his trumpet playing. With prices ranging upwards of £20,000, you are buying a name rather than a painting.

"Consolidation" is the rather stodgy buzz word for the arts this year, so yesterday the 141 London Arts Board clients heard that most were to receive a same-again grant in 1995-96 while a handful, including the Theatre Royal Stratford, Sadler's Wells, LIFT, and the Tricycle, were to get increases.

With so many new arts groups waiting for grants, thrilled by the prospect of National Lottery cash for their capital projects, it seems certain that in a year's time Timothy Mason, who runs the LAB, will have some tough funding decisions to make.

Some may be needed before then. After years of idle threats it seems that cash-strapped boroughs might actually cut

their support for the arts. Most concern is expressed about Hammersmith & Fulham which generously helps the Lyric, the Bush, and Riverside. One of these may be in for a shock.

Of course there is National Lottery money from April. Covent Garden and Sadler's Wells have been among the London applicants for substantial sums, £50m and £20m respectively, to rebuild their theatres. The expected avalanche of applications for the £150m that the arts could receive this year has not materialised. So far the Arts Council lottery board has only received 65 applications, although around 450 arts companies have given notice of a request in the pipeline. Perhaps the complicated forms, and the need to confirm some matching cash, has proved a turn off.

The higher LAB grant for Sadler's Wells suggests that this Islington venue, which in the past has frequently faced closure, has a brighter future. It was wise to get its lottery request in quickly. It wants to ensure that the Well's becomes the much mooted London dance house. Its main rival is the English National Ballet, which dreams of using the Lyceum, now owned by Apollo, but still a total wreck.

If Sadler's Wells gets a grant in the spring the prospects for the ENB look dim.

These days the museums have to sell themselves to the gov-

ernment, and one obvious way of doing so is by reporting higher attendances. 1994 does seem to have been an extraordinarily successful year, with museum-going appearing to be the new spectator sport.

Top of the pops are the Victoria & Albert, and the Tate. The V&A attracted 34 per cent more visitors at 1.4m, with the Fabergé exhibition the biggest draw, pulling in 151,000. The museum is nearly back to the 1.7m it attracted a decade ago, before it introduced voluntary donations in late 1985. The Tate had a record 2.2m attendance, up from 1.6m in 1993, thanks to the Picasso show.

The National Gallery is rapidly becoming more popular with almost 500,000 extra visitors, at 4.3m. Only the British Museum missed out on the boom. Its attendance was marginally higher but, at 6.25m, it is getting close to capacity.

Good news for the City of Birmingham Symphony Orchestra. Its conductor Sir Simon Rattle has signed up for another, probably final, year as music director. He will stay until the end of the 1997-98 season, which will mean 17 years at the CSO. And he was only 40 on Thursday.

Bad news for the London orchestras, two of which, the LPO and the Philharmonia, are in the market for a new music director. So was the RPO until this week when, as expected, it took on board the young Italian Daniele Gatti, who starts in 1996.

Video/Nigel Andrews

# A black and white bonanza

For the bedridden, the housebound or those marooned on a desert island with a TV and VCR for luxury objects, January 1995 is the month to be alive.

Have cassette distributors been seized, a little late, by the festive spirit? Or have they realised that competition from other formats – CD, LaserDisc and Co – is now so keen that they had better empty their treasure chests regularly and generously.

Here are your desert island videos for the new year, and I cannot remember a year that began with a greater bang or a bang that more glowingly reflected the time-honoured

dramatic potential of monochrome.

1. *Schindler's List* (CIC). The Holocaust according to Steven Spielberg, and a new dimension of truthfulness from popular cinema. Horror in black-and-white, with almost no mawkishness or melodrama for 3½ hours.

2. *Raging Bull*. Widescreen reissue for Martin Scorsese's great pugilist opera: majestic even in monochrome. *I Pagliacci* with boxing gloves, it was voted the best film of the 1990s by American critics.

3. *Go Fish*. Something different, though still black and white. A grainy, funny, touching comedy of lesbian manners and the most characterful

American independent film of 1994.

4. *A Clockwork Orange* (CIC). Kurosawa's Samurai epic is a comic strip on wheels: kinetic, pyrotechnic, and with the most exportable actor-hero Japan ever produced, Toshiro Mifune. In black and white, but so vivid you feel as if it is colour.

5. *A Star Is Born* (Second Sight, 1937). Colour at last, of sorts. The pretty, quaint hues of early Technicolor. William Wellman directed this first version of the showbiz story 20 years before it became a Garland weepathon.

Wellman's film is funny, fresh, poignant; and Dorothy Parker lent her acid pen to the script. 6. *The Blue Kite* (ICA). Tian Zhuangzhuang's intimate anti-Mao epic outshines costlier rivals (*Farwell My Concubine*, *To Live*). A family treks through 20 years of

politically-conscious Chinese history – sometimes heartachingly, sometimes humorously – before realising that there may be a life beyond the Little Red Book.

7. *Fellini's Roma* (Connoisseur, 1972). The maestro's answer to the New Journalism, almost before anyone had started writing it. The mock-documentary sketches of the eternal city – from ringway congestion to subway excavation to Papal fashion show – turn into inspired fantasy before our eyes.

8. *Innocent Moves* (Paramount). A gem from first-time director Stephen Zaillian (Schindler's screenwriter). Real-life chess prodigy Max Pomeranc plays the youngster who becomes hooked on the game and goes on to beat the best. Ben Kingsley and Joe Mantegna

crackle as the boy's rival mentors.

9. *Ex aequo*. *Angie* (Buena Vista) and *Intersection* (Paramount). Two Hollywood human stories which show that full-city populism can work when well done. The first has Geena Davis gutsily carrying her out-of-wedlock baby to term, along with an Oscar-worthy performance. The second improves on the kaleidoscope-structured French film that inspired it, *Les Choses de la Vie*, with Richard Gere as the man reliving a love affair in the seconds before a car crash.

On top of your desert island ten let me throw in a standby eleventh. *True Romance* (Warner) is the Tarantino-scripted thriller that our censor has kept in a holding jail for six months. Not quite a masterpiece, but like all Q.T. films it has moments that make other Hollywood action hokum seem humdrum.

Here a funny-seary inquisition scene. Dennis Hopper in the victim's chair. Christopher Walken in the Sicilian suit – takes its place alongside hackle-raising highlights in *Reservoir Dogs* and *Pulp Fiction*. Indeed in any other modern film you care to name. It gives proof, if we need any more, that Tarantino is the 20th century's true heir to the Jacobean dramatists.

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Wood. 100, 101, 102, 103, 104, 105, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 198, 199, 200.

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## ARTS

The great Poussin exhibition, which I reviewed in Paris last autumn, now comes to London, albeit in modified form. Even so, I cannot emphasise too strongly to those who saw it in Paris the value of seeing it again. In no sense whatsoever is London being palmed off with second-hand goods.

Indeed in certain respects, London is palpably better off. The drawings are not there, it is true: but that deficiency will largely be met next month, when 65 drawings from the Royal Collection at Windsor go on show at the Dulwich Picture Gallery. In the meantime, we may concentrate upon the paintings alone, that in the Royal Academy's magnificent galleries are incomparably better shown.

What is more, we have a considerable bonus in that the Wallace Collection, which by the terms of the bequest may never lend its treasures, has picked this moment to make a special study of that beautiful and mysterious allegory, the "Dance to the Music of Time". If one were to choose a single work by which to represent all that Poussin is - at once sensuous and lyrical, refined and cerebral, full of the joys of life yet melancholic and even sinister - it would be the "Dance".

Three nymphs and a shepherd tread their stately yet lively measure in the half-light before the dawn, as the clouds gather beneath Apollo's chariot. Round they go, marking the eternal cycle from Poverty through Labour to Wealth, and so to Pleasure and to Poverty again, with Time smiling mischievously to himself as he plucks the strings. To one side a *puto* is blowing bubbles, the very image of evanescence; another has turned the glass and the sand has already begun to run.

Small wonder, then, that Poussin should so fascinate the scholar, with his fund of iconographical reference and interpretive speculation. The problem is that he has become so much the scholar's creature that the painter is all too readily obscured. There he is, steeped to the gills in serious purpose, and even painters have gone along with it, looking to Poussin as master technician, organiser of image and composition, analyst of form and space, controller of tone and colour, precursor of David and neo-classicism.



Poussin's 'Dance to the Music of Time' at the Wallace Collection: 'the nymphs' shoulders glint and thighs flash, and Pleasure's smile is fraught with sexual invitation'

## Paintings of perfection

Poussin's pictures are sensuous and sexy as well as cerebral, writes William Packer

Cézanne, Picasso and Mondrian, cubism, constructivism and minimalism.

The truth is that he is all these things and yet more again. How fresh and unexpected free he so often is in the paint, and how sexy, funny and light-hearted in the image. Here in the "Dance", the nymphs' shoulders glint and thighs flash, and Pleasure's smile is fraught with sexual invitation. The paint is laid on with a richness and sensuality to match the mood, the modelling of the form is full and

rounded, the drawing full of life and movement.

Such qualities are to be found from first to last. "The Arcadian Shepherds" of about 1629, while looking back to the bucolic idylls of Giorgione and early Titian a century before, is almost modern in the freedom and lightness of its handling, especially in the figure of the shepherdess, so absently-mindedly hitching up her flowing skirts. "The Triumph of Pan" of 1636 is unequivocal in its carnal celebration, full of beautifully observed and

painted flesh, and the delights thereof. And yet how extraordinary is the tumbled still-life in the foreground, with its sinister, discarded masks that bring us forward abruptly to Ensor and even Beckmann.

At the last we come to the allegorical landscapes of the early 1680s, romantic and elegant, the figures now incidental to the broader scene, but oddly surreal. There is Hercules away up the mountain-side with the body of the monster Cacus, and there below, oblivious, a group of half-naked

women lounge at the lakeside. The blind giant, Orion, is guided towards the light by tiny Cadalion, perched on his shoulder. In "Autumn", a statuesque country-girl walks off behind the rocks with a basket of fruit upon her head.

These are all wonderful things, and unlikely to be shown again collectively and to such advantage as they are now at the Royal Academy. What they reveal is not the Poussin of prejudice, but the complete artist - the storyteller, the intellectual, the academic technician to be sure,

but also the true painter, more intuitive and direct in his practice, and free and various in his imagination, than we ever supposed. It is a great and timely achievement.

Nicolas Poussin 1594-1665: Royal Academy, Piccadilly W1, until April 9; supported by the National Westminster Bank. "A Dance to the Music of Time" at the Wallace Collection, Manchester Square W1, until April 9; supported by Total Oil.

### Television/Christopher Dunkley

## And the situation is - comedy

There is something very odd about television schedulers. Last night anybody watching between about 7.00 and midnight will have had the devil's own job avoiding situation comedies. There were nine: three on BBC2, three on Channel 4, two on BBC1 and one on ITV. Sticking to BBC output, you could have watched half-hour comedies solidly from 8.00 until 10.30: *Only Fools and Horses*, *Health and Efficiency*, *Bottom*, *The High Life* and *The Day Today*: low life shenanigans on a council estate, medical v. excess in a Thatcherised hospital, crapulous student life as lived by the middle-aged, air crew behaviour behind the curtain, and a TV news satire. Not such a bad range.

And tonight? Not a single sitcom. Why nine on Friday and none on Saturday? Who knows - only Messrs Yentob and Jackson at the BBC, Willis at C4, and somebody at the all-powerful ITV Network Centre which now decides the programmes for the entire country. He, in any case, would have little to tell us because ITV at present is offering just three sitcoms a week: *Outside Edge* on Thursdays, *The Upper*

*Hand* on Fridays, and a repeat of *Only When I Laugh* on Mondays. C4 also offers just three: *Ellen and Roseanne*, both American, and *Rising Damp*, a repeat, all on Fridays. The week's other 14 comedies are all provided by the BBC.

The pattern seems thus: that C4 imports its best comedy from the US; ITV, after years of failing to match BBC successes, is sulking and replacing comedy with countless 60-minute emergency service dramas (police, doctors, firemen and so on); and the BBC plugs doggedly on launching sitcom after sitcom.

Its two new series so far this season are *Down To Earth* on BBC1 on Thursdays and *The High Life* on BBC2 on Fridays. Both are conventional in structure, milieu and attitude. Neither yet seems hilariously funny, but both could, conceivably, become big successes. *Down To Earth* is written by Esmond and Larbey, the team responsible for *The Good Life*, and the star is again Richard

Briers. This time he is a pampered and somewhat supercilious diplomat, Tony Fairfax, who has been sent home suddenly after a soft life in South America and has to take a labouring job in his brother's landscape gardening firm.

As in so much British comedy, class consciousness is central. The other workers break at midday for "dinner" and sneer at Fairfax's expectation of "lunch-on-on". In the café, Fairfax asks for a menu, is sarcastically brought the blackboard by the proprietor, and admits to having made a faux pas. "Ho yus", says the proprietor, "eh foh pawr", and we are off into even more scathing definitions of distinction because only snobs use foreign words. It feels a little old fashioned, but then much successful comedy often is.

There is nothing very new-fangled about *The High Life*. At Air Scotland there is a thick captain, a bossy stewardess played by Siobhan Redmond, and buddy/competitor stewards, Sebastian and Steve, played by Alan Cumming and Forbes Masson. Last week's cabin staff refresher course on emergency procedure announcements, with everyone performing that "Two exits to the rear, two over the wings" routine, was a hoot. Yet it is difficult to imagine the BBC re-running this series for the umpteenth time in 2018 in the same way that it is now re-running the *Stepie* series which began in 1962.

Much the funniest, freshest comedy series on television at present is *Joking Apart*, by Steven Moffat, screened by BBC2 on Tuesdays. Here, finally, is a

British sitcom which manages to be funny about sex without perpetually collapsing in fits of embarrassed giggles at its own daring like some maiden aunt shrieking "Bloomers!" after two sherries. Last week an entire cast of extras kept feigning inadvertently in the sexy home video being shot by Becky and Trevor, waving and

smirking fatuously as people do at video cameras, but over or round the writhing bodies. Feydeau would have recognised this week's final scene in which Robert, visiting a brothel, dressed as a maid and blindfolded, begs his fierce mistress to chastise him and is delighted to hear just how like his bossy wife she sounds... little guessing that it is, indeed, his wife who is doing the chastising.

Two generations of Dunkleys screamed with laughter on the old golden sofa, and you cannot say fairer than that.

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## Radio/Martin Hoyle Highland fling

No revelations in *Billy Bragg among the British on Radio 4*. The new series started in Inverness and to the question "Is Scotland a country or a nation?" answer came there none - in several different guises.

Bragg's stilted drone as an interviewer evoked little that was new. Perhaps less obvious contempt from Mrs Thatcher, more tact from English-based media and a more sharply-defined cultural identity, and all would have been smoothed over - once.

The Scots on the whole have the tolerance of the self-assured; they are confident of their identity, whatever label is slapped on it by outside institutions. That includes shared sovereignty for three centuries, which results in detached amusement at the English panic at being submerged by Europe.

The spectrum of opinion ranged from strong Britishness (even advocating a British team for the World Cup) to unaggressive individuality (a British team would be "a nightmare"), and the assertion that Scottishness is a territorial, not an ethnic or racist, definition. You can be Scots apparently just by living there. With experience of residing in Edinburgh's starchy New Town I am not so sure.

The Scots noted how the English over-use the term "British", even of themselves. The main reason is surely that we are so constantly rapped over the knuckles for absent-mindedly referring to our neighbours as English that we automatically play safe. Another reason is the greater diversity of society down south. My immediate neighbours in south London are black and yellow. My local shopkeepers are brown. All are

British, not all call themselves English, not all speak English. To call them English would be arrogant as well as inaccurate. With his small and relatively unmixing population, there are times when the Little Scotland is glimpsed.

Not that one would know it from BBC Scotland, which remains one of the chief pleasures of North Britain. And no, it does not consist of Gaelic or Gallic, as The Guardian, pre-

sumably mindful of the Auld Alliance, spells it) and celloids. Its cultural, current affairs and discussion programmes are as high-powered and wide-ranging as any found in the British - or, English - network.

Visiting New York recently, Radio Scotland explored perceived Scottishness, most of which had an American accent. "I'm an actor," apologised a kilted street musician piping his way through "Rosmin' in the Gloamin'" in a way that owed more to The Method than Harry Lauder.

But Scottishness is invidious. The kilted Highlander observed at a Gay Rights gathering explained that he wore the full rig as it was "cooler in the breeze than trousers". He added primly, "People are really very nice to me. Nobody's tried to pull it up or be vulgar." The accent was Queens but the attitude was pure Morningside. As resident aliens, even married to Americans, the Brits (as the Americans would categorise them) are subjected to scrutiny that verges on violation of human rights, according to one state-harassed couple. If it all serves to reinforce nationalist pride, one factor apparently ensures that Scotland will never see its wandering sons again. The disadvantages of the old country were summed up by a man resident in the US for 36 years, who had played for Hibs in 1961: "The bloody weather."

Sad to see Radio 4 scraping the bottom of the barrel with *Bloopers*. Compiled for God's sake by "a university lecturer on radio", this is a scramble on to the bandwagon of media bloopers, clangers and bloomers, though I suppose the American title is symptomatic. It illustrates the low of diminishing returns: how what seems strikingly funny in the studio, among broadcasters, leaves outsiders cold; and how radio people reminding about their mistakes are just as unfunny as actors telling theatre stories. Dennis Norden did it so much better.

Chess No 1988: The 46 stalemates are four by white queen moves, 13 each by rook, knight and bishop, two pawn moves and K&6.

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## INTERNATIONAL ARTS GUIDE

## What's on in principal cities

## AMSTERDAM

## CONCERTS

Het Concertgebouw Tel: (020) 671 8345  
 ● Lazar Berman: pianist plays Liszt as part of the master pianist series at 8.15 pm; Jan 29  
 ● Seminaride: by Rossini. Ion Marin conducts the Royal Symphony Orchestra at 1 pm; Jan 28  
 ● The Royal Concertgebouw Orchestra: Valery Gergiev conducts Bartók and Stravinsky at 8.15 pm; Jan 25, 26, 27

## GALLERIES

Rijksmuseum Tel: 020 673 21 21  
 ● Art of Devotion 1300-1500: major winter exhibition focusing on the spiritual function of objects in the medieval period; to Feb 28 (Not Sun)  
 ● Marbled, Chiriz and Brocade Paper: an exhibition of decorated paper manufactured in and imported to the Low Countries in the 17th Century; to Feb 12

## OPERA/BALLET

Het Muziektheater Tel: (020) 551 89 22  
 ● L'italiana in Algeri: by Rossini. Produced by Dario Fo, conducted Alberto Zedda at 8 pm; Jan 22, 24, 26

## BALTIMORE

## CONCERTS

Baltimore Symphony Orchestra Tel: (410) 783 8024  
 ● Gerstwin: Erich Kunzel conducts the Baltimore Symphony Orchestra and pianist Brian Ganz in an all-Gershwin programme at 8.15 pm; Jan 21, 22 (3 pm)  
 ● Jaime Laredo: makes his debut as conductor/violin soloist and along with members of the Baltimore Symphony Orchestra plays Vivaldi at 8.15 pm; Jan 26, 27

## BARCELONA

## GALLERIES

Fundació "la Caixa" Tel: (93) 404 60 73  
 ● Kandinsky/Mondrian: Two Roads to Abstraction. Exhibition that marks the stylistic evolution of the two painters in their early phases; to Jan 22 (Not Mon)  
 ● The Austrian Vision: a selection of 17 Austrian artists from three generations that represent the different models and main aesthetic positions adopted by Austrian artists over the last 20 years; to Jan 22  
 ● Picasso's Early Works: 220 drawings and paintings from the period 1890-1912; to Feb 12 (Not Mon)

## BERLIN

## GALLERIES

Neue Nationalgalerie Tel: (030) 2662653  
 ● George Grosz, Berlin-New York: exhibition of the German Dadaist who emigrated to the US; to Apr 17

## OPERA/BALLET

Deutsche Oper Tel: (030) 3 41 92 49  
 ● Aida: by Verdi. Conductor Stefan Soltesz, production by Götz Friedrich at 8 pm; Jan 25 (6 pm), 26 (7.30 pm)  
 ● Oedipus: by Rihm, conducted by Sebastian Lang-Lessing, Nacho Dutoit, Glen Tetley and Harris Mandelstam choreograph works by Debussy, Poulenc and Stravinsky at 7 pm; Jan 27 (7.30 pm)  
 ● Der Fliegende Holländer: by Wagner. Conducted by Heinrich Hollreiser, production by Gustav Rudolf Sellner at 7.30 pm; Jan 31, 1  
 ● Madame Butterfly: by Puccini. Conductor Sebastian Lang-Lessing, production by Pier Luigi Samaritani at 7 pm; Jan 27 (6 pm), 28 (7.30 pm)  
 ● Oedipus: by Rihm, conducted by Peter Kusch, production by Götz Friedrich at 7 pm; Jan 22  
 Staatsoper Unter den Linden Tel: (030) 2 00 4762  
 ● Die Zauberflöte: by Mozart. Conductor Daniel Barenboim, production by August Everding at 7 pm; Jan 22

## BOLOGNA

## OPERA/BALLET

Teatro Comunale Tel: (051) 529999  
 ● Macbeth: opera in four parts by the Deutsche Oper Berlin. Music of Verdi at 8.30 pm; Jan 28, 31

## BONN

## OPERA/BALLET

Oper Der Stadt Tel: (228) 7281  
 ● Carmen: by Bizet. A new production by Gian-Carlo del Monaco, with conductor Michel Sesson. In French with German surtitles at 8 pm; Jan 22 (4 pm), 27, 31  
 ● Der Ewig Friede: by Schwetsik. A new production by Jürgen Tarnchins with conductor Dennis Russel Davies at 8 pm; Jan 28 (7 pm)  
 ● Tanhäuser: by Wagner. Conducted by Jiri Kout, production by Götz Friedrich at 8 pm; Jan 29  
 ● The Sleeping Beauty: music by Tchaikovsky. Produced and choreographed by Yvonne Wärs, conducted by Michel Sesson at 8 pm; Jan 29 (7 pm)

## BRUSSELS

## CONCERTS

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● Champs-Élysées Orchestra: with cellist Christophe Coin and conductor Philippe Herreweghe plays Schumann at 8 pm; Jan 23  
 ● Philippe Herreweghe: conducts the Orchestra des Champs-Élysées to play Schumann at 8 pm; Jan 23

## CHICAGO

## OPERA/BALLET

Lyric Opera Tel: (312) 332 2244  
 ● Aida: by Verdi. With tenors Lando Bartolini and Kristján Jóhannsson; Jan 22

## DUSSELDORF

## GALLERIES

Kunstmuseum Düsseldorf Tel: (0211) 8992460  
 ● Daniel-Henry Kahnweiler: a visual summary of the German curator's work with pieces by Gris, Braque, Léger, Klee and Picasso; to Mar 19  
 ● The Austrian Vision: a selection of 17 Austrian artists from three generations that represent the different models and main aesthetic positions adopted by Austrian artists over the last 20 years; to Jan 22  
 ● Picasso's Early Works: 220 drawings and paintings from the period 1890-1912; to Feb 12 (Not Mon)

## FRANKFURT

## CONCERTS

Alte Oper Tel: (069) 1340 400  
 ● North West German Philharmonie: with soprano Gail Gilmore, and conducted by Michael Jurewicz plays a variety of operatic pieces at 8 pm; Jan 25

## GALLERIES

Philharmonie Orchestra London: with pianist Zimron Barto, and conductor Lawrence Foster plays Beethoven and Brahms at 8 pm; Jan 24

## LONDON

## CONCERTS

Barbican Tel: (071) 638 8891  
 ● Pierre Boulez: conducts the London Symphony Orchestra to play Stravinsky, Webern, Bartók and Boulez's own, 'Notations I-IV' at 7.30 pm; Jan 22 (3 pm), 24, 26, 29  
 ● Popular Classics: with the London Concert Orchestra conducted by David Arnold. Highlights include Ravel's 'Bolero' and Strauss' 'Blue Danube Waltz' at 8 pm; Jan 21  
 ● Festival Hall Tel: (071) 928 8800  
 ● BBC Symphony Orchestra: with the BBC Symphony Chorus under the direction of Jiri Bělohlávek plays Mozart and Martinu at 7.30 pm; Jan 28

## GALLERIES

Nikolai Demidenko: plays Beethoven, Schubert and Liszt as part of the International Piano Series at 3.30 pm; Jan 29

## OPERA/BALLET

Teatro Comunale Tel: (051) 529999  
 ● Macbeth: opera in four parts by the Deutsche Oper Berlin. Music of Verdi at 8.30 pm; Jan 28, 31

## GALLERIES

Philharmonie Orchestra: conducted by Lawrence Foster plays Rossini, Paganini and Tchaikovsky at 7.30 pm; Jan 30

## OPERA/BALLET

Oper Der Stadt Tel: (228) 7281  
 ● Carmen: by Bizet. A new production by Gian-Carlo del Monaco, with conductor Michel Sesson. In French with German surtitles at 8 pm; Jan 22 (4 pm), 27, 31

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Kemp's recreation of Nicholas Hytner's original production by Alan Bennett, adapted from the novel by Kenneth Grahame at 7.15 pm; Jan 31

Queen Elizabeth Hall Tel: (071) 928 8800  
 ● Marcel Marceau Company: the first time in Britain that Marcel Marceau performs with his nine-strong mime ensemble at 7.45 pm; Jan 21, 22

Riverside Studios Tel: (081) 741 2251  
 ● Hancock's Last Half Hour: by Heathcote Williams, directed by Mark Piper. Set in a Sydney rented apartment, Jim McManus relives comedian Tony Hancock's last hours at 8 pm; to Feb 11 (Not Sun)

Royal Court Tel: (071) 730 1745/2554  
 ● The Libertine: by Stephen Jeffreys, directed by Max Stafford-Clark. Comedy based on the works of the 2nd Earl of Rochester at 7.30 pm; to Feb 4

Wyndhams Tel: (071) 369 1736  
 ● Three Tall Women: by Edward Albee, directed by Anthony Page. With Maggie Smith, Frances de la Tour, Anastasia Hille at 8 pm; (Not Sun)

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Peter Aspden

## Sex and violins: the perfect pitch

Vanessa-Mae Nicholson, a 16-year-old classical musician, is being marketed like a rock star

I was genuinely sorry to hear of the theft of Vanessa-Mae Nicholson's 1961 Guadagnini violin from her London home last week: it is a traumatic thing to happen to any professional musician, let alone a 16-year-old girl who has been described as one of the world's leading players. "It is not just an antique, I have a relationship with it," she told the press, adding, a little bethelically, that she had named the beloved instrument "Gismo" after "the nice furry creature in *Gremlins*".

Never mind: it is not a nice thing to happen. I even suppressed a smile when detectives offered the theory that the thieves may have seen the start playing her violin on "Blue Peter" earlier in the week.

Whatever happened to the days when criminals cased joints and met, Tarantino-like, in funky downtown cafés to rap about the heist? I mean *Blue Peter*?

An extra twist of pathos to the saga came later that day, when a colleague received an invitation to the launch of Vanessa-Mae's new album, *The Violin Player*. For it is clear that January 1995 should have marked the spectacular take-off of her fledgling career.

The invitation had all the trappings of a heavy-duty record company hype: the achingly trendy venue (London's Limelight Club), the glossy finish, the picture of Vanessa-Mae herself which, while not quite in the wet-T shirt category, does not fall far short, depict-

ing our vamped vedette emerging sultrily from the ocean wearing a couple of flimsy layers of cling-film and playing something which looks more like a Geiger-counter than a Guadagnini. She is, as serious critics might concede, seriously photogenic.

In fact, her march to fame and glory is under way. Already in the shops is Vanessa-Mae's single, Bach's Toccata and Fugue in D Minor, which had the Daily Telegraph drooling: "Feverish fiddling... somewhere between Paganini and Prince". Although I find the sound difficult to imagine, it is an acute observation.

Paganini too was a young virtuoso (with whom, as it happens, Vanessa-Mae shares a birthday -

can't blame that one on the record company) who dazzled contemporaries with his technique and *jeu de l'âme*. Being an 18th century kind of fellow, however, he lacked the demotic instinct (not to mention the agent) to exploit his talents fully until later in his career. He once declined to play for the German composer Louis Spohr. Paganini's reason was that his playing style was "calculated for the great masses". Oh, Wembley Arena, where were you then?

Prince, on the other hand, knows a few things about the great masses. The latest manoeuvres in his career were summarised in an entirely typical press release I received last week headed: "Will he come back as a 'dolphin' in 1995?"

Having reconstructed himself as a symbol, and written the word "SLAVE" across his face as a protest against his record company (I simply don't know where the dolphin comes in), the tiny one has managed to receive acres of press coverage without doing very much at all recently in the way of music.

So there we have two role-models for Vanessa-Mae, who, whether she realises it or not, is already on the cusp of pre-packaged, post-modern pop phenomenon and Serious Musician. Her defenders might point to her undoubted talent, and suggest she can have it both ways, but I'm not so sure it's that easy. We have already seen that the theft of her violin may have been an indirect

result of the publicity which will soon swamp her. And she will need to show astonishing maturity, or Madonna-like cynicism, to cope with being promoted as - let us not mince words - a near-under-age sex object.

Still, let us not be prudish. Sex and classical music seem to be having a pretty steamy relationship right now, which strikes me as a welcome corrective to the po-faced earnestness we had to endure from all those songorous Radio Three announcers of yesteryear. It is rather exciting to see highbrow art ambushed by low-in-the-groin marketing. And in the meantime, don't be tempted to buy a violin which looks like a cuddly toy, it is hot, in more than one sense of the word.

## Bubbly flows again for British pop

Antony Thorncroft talks to mogul Rob Dickins about the revival of the record industry

Last year something strange happened. The British pop industry, reportedly dead from a combination of public indifference and the alternative attractions of computer games and comedians, staged a recovery.

Record sales rose by around 12 per cent in value, and of the 10 best selling albums in the UK in 1994, seven were by British artists - and not just the rocking granddads. The Beatles and Pink Floyd did make the top 10 but they were more than matched by new bands such as Eternal, Blur and East 17.

No one can explain this revival of interest in pop music, which coincides with an equally unpredictable increase in cinema going. Could it be that pop music has suddenly got better?

Whatever the cause, the 1,500 people sitting down at the Alexandra Palace on February 20 for the annual Brit Awards will be feeling very pleased with themselves. This is the great industry prize-giving when, for one night the British music elite can think of itself as the equal of Hollywood and its Oscars.

And with some justification. For pop music is one of the few British success stories of the last 30 years. Figures to be released next month will claim that it brings a staggering figure to the economy through foreign sales, mainly royalties.

For Rob Dickins, chairman of the Brits, and chairman of Warner Records, all this glitz and self-congratulation carries nervous undertones. The Brits, organised by the British Phonographic Industry, were not always an opportunity for mutual back-slapping. In the recent past they were reduced to farce when Page Three girls, playing at presenters, distributed the awards to the wrong artists.

They also face a constant challenge from the young guns in the business who think the BPI is an establishment coterie of old fogies which ignores the sounds of the streets and the clubs - living pop: jungle music, and house, and hip hop, and rap.

In competition with the Brits there are now the Brats, the alternative pop awards, and in competition with the Brats are the Dance Awards which acknowledge (because the Brits do not) that almost half the hits of 1994 were designed to move the feet rather than the soul.

If anyone carries the weight to embrace the independent scene, while representing the money men, it is the 45-year-old Dickins.

In an industry which re-creates itself almost daily, and which hires and fires with gusto, he comes from a pop family and has spent all his 24 years in the business with just one company, Warners. His father worked for New Musical Express, the pop weekly newspaper; his brother was agent for The Who.

Dickins went from Loughborough University to the publishing arm of Warners in 1971 as a glorified messenger. He got the job because "my boss was a snob": in those days graduates were exotic beasts in the record industry.

A few months later the boss was



Dickins: "I would not dream of knowing what music 16 year olds want"

head hunted and Dickins stepped up to become head of Warner Publishing UK at the age of 23. It was the era of the singer-songwriter, a good time to be in publishing, and Dickins signed for the UK such talents as Joni Mitchell, Neil Young and punk rock band, the Sex Pistols. "Every time 'Pretty Vacant' gets an airing a few pence still come to Warners," said Dickins.

Publishing is the unglamorous side of the music business and Dickins wanted to make the jump to records. "In publishing you bet on the horse; in records you are the jockey." It is much more hands on.

He eased his frustrations by investing £220 in a recording by Madness, a group who could not get a contract. Their song "The Prince" reached number seven in the charts. Warner's American management noticed, and, with the publishing subsidiary riding high while

Warner Records UK stumbled, Dickins could finally make the switch from publishing. He was offered the role of managing director of Records; held out for chairman; and in 1983 took his first job in the record industry, at the top.

He is now the elder statesman, and quite happy to hand down advice. He says: "I would not dream of knowing what music 16 year olds want. My first boss told me, always sign acts for your generation and the next generation, but not for the generation under that." In the pop world a generation lasts four years.

Dickins naturally thinks that the best pop was the pop of his youth, around 1965, the time of Sergeant Pepper. He gets excited by the idea of today's teenagers wandering around a music store with this back catalogue for them to discover. Pop now has a history, a history that can be turned to profit. The best

selling single of 1994 was a remake of an oldie, "Love is all around" by Wet Wet Wet, which sold 1.2m copies. The same song was originally a hit for The Troggs in 1967.

But Dickins is opposed to record companies resting on their back catalogues, or on the re-issued Beatles BBC tapes, which was the UK's best selling album in December, or on the unofficial Bob Dylan recordings promised for this year. "Back catalogue only contributes around 30 per cent of our revenue but it gives us the cushion to sign up new bands, most of whom will be unsuccessful."

But some will make it, and in the last two years the survivors seem to have long-term creative, and earning, potential. Take that even write most of their material. "The confidence has come back to the business. There was a time when the kids did not want to be in a group.

They do again now."

This time the revival will be better managed. Since the recession before last, in the early 1980s, accountants have ruled the record companies. The days when companies fought each other to offer a group of teenagers £500,000 for their signatures is long past.

Dickins, naturally, is "not a great believer in big advances. A band should learn its craft on the road. They don't have big advances in the US and British advances are the highest in the world." But these days £150,000 would be big money.

The other difference with the golden years is that consumers are more nationalistic. "Be successful first in your own back yard," is Dickins' advice. The days of the Anglo-Saxon monopoly are over.

This does not stop British record executives eyeing the US, which represents half the global market.

Recent British success there will pay for the champagne at the Ally Pally. "For a time, during the recession, the Americans bought rock, rap, and especially Country and Western, and we can't compete with them in these markets."

But now the Americans are looking outwards again, and British artists are back in favour. Not just Eric Clapton (although he is short-listed again for the best British male solo artist award) but also Seal, who has sold 1m albums in the US; not just Pink Floyd (perennially short-listed for best group) but also M-People.

For a pop tycoon, Dickins suddenly sounds very Blimpish. "The problem with this country is that we don't shout about our success."

"It is mainly the media: always looking for something to run down. Innovation in pop has always started in the UK."

Life is complex but the concept of the blameless old Nazi is unfamiliar to most Europeans. It is one, however, that some, notably the FAZ, try to accommodate. What is not clear is whether this is merely a response to the feelings of the readers: elderly bourgeois gentlemen with a dodgy past often subscribe to this paper. Once they die out, perhaps, concessions to their finer feelings may disappear too.

One wonders. The paper is now promoting a view that perhaps Hitler had some reason to attack the Soviet Union in June 1941.

An historian from the Rheinland has found in Moscow a paper detailing a Soviet plan of attack which is touted as an important piece of evidence of Soviet aggression even though the disposition of forces at that time makes it inconceivable such a move was planned.

The attack that did take place left 20m dead in its wake. Their names have been forgotten, unlike the undead Hein Stünke and his old comrades.

James Morgan is economics correspondent of the BBC World Service.

Whose life lives on in memory, he is not dead, he is only distant; death is only when one is forgotten

- Immanuel Kant

This week will see an attempt to ensure that millions who died half a century ago will not be forgotten. Unfortunately, they are remembered only by the million.

Today many of their contemporaries, those born between 1900 and 1920, are reaching the end of their natural lives. And in Germany the obituaries make interesting reading. There are those, often the great and the good, who resisted or went abroad in the years 1933-45. Their obituaries are unembarrassed and straightforward.

Then there are the not very great and not very good, like old Bundesbank bosses, who became so famous that their past was known and often questioned. And then there are lesser figures who achieve sufficient eminence to occupy an obituarist's pen but are not widely known.

Such men had strange lives, judging from these semi-official

## As They Say in Europe / James Morgan

# The forgotten and the undead

accounts. They were born, then apparently did nothing, emerging only in 1945 as fully-fledged businessmen, bishops, doctors or whatever. What had all those brilliant 1945-vintage administrators been administering? Where had those highly-qualified doctors been practising? In other words, how was what one might call the Waldeheim Gap filled?

The other day there was an unusual death notice in the *Frankfurter Allgemeine Zeitung*. It lacked the normal religious signs and symbols and concerned one Hein Stünke. Kant's observation, which appears above, provided the message.

I turned to the obituary on another page. Stünke, it emerged, was a noted art dealer and wrote about the art trade. He ran a gallery

called *Der Spiegel* (The Mirror) in Cologne, founded the Association of Progressive Gallery Owners, believed strongly in the idea of "art as commodity" and published books with titles such as *The Social consequences of creative commerce*.

The obituarist in the *Frankfurter Allgemeine* had done some homework but, inevitably, the earliest date in Stünke's life was found in a sentence which ran: "He often enthusiastically told how it all started - in 1945 in war-torn Cologne in a half-burned out house on Götterring."

There were no answers to the key questions. Had Stünke indeed appeared from nowhere in 1945 as a knowledgeable art dealer? Where had he got his art?

On this occasion, uniquely, some answers came four days later: the

FAZ published a letter from someone who knew Stünke well. The obituary had been entitled, "Through the mirror" but the correspondent wrote, "Your rear-view mirror is blind. Stünke's career did not begin 'in war-torn Cologne'."

"He joined the Hitler Youth in 1930 [in other words, long before it was necessary], became a department chief of schooling in Lower Saxony, then *Oberbaurat*, in 1939 a soldier and in 1941 was severely wounded. In 1943 he was curriculum head at the Brunswick Academy for Youth Leadership."

You might think, some ill-intentioned informer was doing the dirty on Stünke, telling the world that the prominent art dealer had a nasty past in educational and youth organisations of the Reich.

You would be wrong. The writer

was clearly Stünke's chum. The letter continued: "His later success in life was rooted in the virtues which he had already demonstrated: the joy of commitment, preparedness to take on burdens and love of the fatherland."

"These virtues are not bad because they were misused. He had no reason to be ashamed of his past and kept in contact with his old comrades up until the last year of his life. To the concept of 'overcoming the past' there belongs in any obituary the whole past, certainly when no shadows have fallen across it."

Having read this I turned back to the death notice. It had been inserted by his daughter, Esther. It is unusual for a man of Stünke's background to name their daughters after Jewish heroines.

## Who? Me? A racist?

I am starting to miss apartheid. I can no longer get a taste of the Mount Nelson, and the flights are full, and my dream of a cottage at Hermanus is fading as rapidly as prices are rising.

I stood in the immigration queue at Jan Smuts airport, criss-crossed after a 16-hour flight, and reflected on these tribulations at the heart of my discontent was something most profound.

I was missing the tension of a township funeral. I recalled the electric atmosphere at the Johannesburg Market Theatre, during the brutal decade of the 1980s, just being part of the audience, watching a Barney Simon production about contemporary South Africa, seemed to be a political statement.

But it was more than that. I missed the stress that South African friendships forged by adversity. As I stood, the general anxiety, I realised that the tension, which I had experienced, was not just they shot my line.

Apartheid was the tension which allowed moral certainty, the obvious conviction that right and wrong were black and white.

These are now grey days in South Africa. Thank goodness. The euphoria of the election has faded, and those certainties, those moral absolutes are harder to define.

In their place are uncomfortable places to build a million homes a year, or bring electricity to the townships.

But, far from with the reconstruction and development plan does not have the same ring as "Free Nelson Mandela".

When apartheid was swept away, we were missing the best of the good things we exchanged: attitudes at the time, the markets with their restaurants that served us in

I dislike racists and queue jumpers in almost equal measure

informal press club, its entrance guarded by a man with an Uzi, although his colleague preferred a sawn-off shotgun. To the secret regret of some of us, it was the closest we got to violence.

Nelson Mandela's inauguration was marked with a celebratory dinner and a poem written in honour of the occasion:

O what joy to be a black.  
As power shifts from white to black!  
O what bliss to be alive.  
When a British pound can buy Rands five, ran the refrain.

So I miss apartheid. Perhaps the immigration officer detected my malaise, as I stood in the queue at Jan Smuts.

The queue was black, for most of the passengers had come off a flight from Angola. Only two desks were open at the immigration counter. A third was marked "SA passport holders only".

A white immigration officer stands, arms folded, in the hall, surveying the scene. I catch his eye, and thus a conversation begins.

It is conducted in the sign language of *mzungus* (whites) in Africa, expressing their frustrations and impatience. Gone are the days when such irritations could be expressed aloud. But through the silent changes of expression, a lifted eyebrow here, a frowning grimace there, a twitch of the shoulders, an upward glance to the heavens, we exchange views. I catch his eye. "See?" his expression is saying. "This is what happens. Let one in, and then they all want to come."

I gave a discreet "B! of a nuisance this" gaze at the heavens.

His lips pursed a fraction. "We've got to live with this... all right for you, you are just a visitor."

But colour bonding was having its effect. A split second tilt of his chin in the direction of the SA passport holders' desk spoke volumes. "Join the other queue," the gesture said, "it will be quicker."

I dislike racists and queue jumpers with equal passion, but 10 hours in economy class, sandwiched between fellow passengers with whom I had lost the battle of the arm rests, drained my patience and undermined my principles.

But I needed reassurance. I made a quick side to side glance as if to say: "Who, me?"

He maintained eye contact. "Get a move on, before someone sees us," I had hesitated too long. A terrible suspicion was growing in my mind. But for both of us, it was too late to turn back.

I had picked up my bag, avoiding eye contact with the patient travellers in front of me. My fractional hesitation, however, tells the volumes. Twenty yards now divides us, as I move to the shorter, adjoining queue, but his upper lip has a momentary snarl.

I look away.

"Aagh you liberals!" I almost hear a contemptuous rolling of the eyes, the more pronounced for having unwittingly assisted someone whom he thought might be sympathetic.

"Aagh you liberals. Full of hate!"

Michael Holman



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# Weekend

## INVESTOR

Wall Street

### They're all waiting for the Fed to decide

And the consensus is that interest rates are about to go up again, reports Maggie Urry

Will they? Won't they? Will they? Won't they? Wall Street this week has been echoing Alice in Wonderland's lobster quadrille in its efforts to guess whether the Federal Reserve will raise interest rates again when the open market committee meets at the end of this month.

When this week began, there were hopes that the Fed would not move rates higher. By yesterday, though, the market had decided firmly that the cost of borrowing would rise, probably by half a percentage point to 6 per cent.

The pressure for an increase comes from fears that the strength of the economy will lead to higher inflation. But if the economy is beginning to slow, braked by the six increases in interest rates the Fed pushed through last year - taking the key short-term rate from 3 to 5½ per cent - then further rises could be modest and the peak in the interest rate cycle could be near.

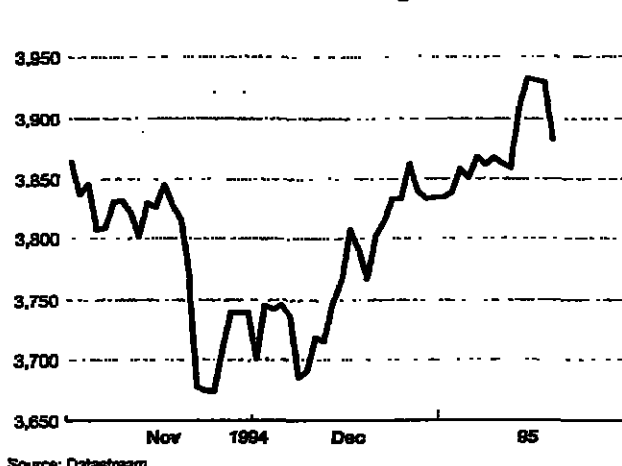
Conversely, if the economy is still running ahead, then some firmer footwork is needed by the Fed to stamp down on inflation. The problem for the market is to decide which is happening, and it seeks guidance from - and reacts daily to - the published numbers on the economy.

The tempo beaten by the recent run of economic statistics has been slow, slow, quick - without the final slow. To start, inflation for 1994 turned out to be an encouragingly low 2.7 per cent, the same as for 1993. No sign of inflation rampaging there. Then, at the end of the previous week, poor retail sales figures for December gave the market hope that the economy really was coming under control.

That "slow, slow" start sparked a rise in equities which continued at the beginning of this week. The Dow Jones Industrial Average, which had jumped above 3,500 again on the previous Friday, followed through on Monday with another 22.88 point rise, making a two-day gain of 73.24.

It takes only a couple of good days to have the more volatile strategists talking about regaining the index's all-time high of 3,978.36, and breaking out of the trading range in which the market seems to have been stuck for a year or more. Fund managers were being advised to increase the proportion of their money in

Dow Jones Industrial Average



Source: Datastream

equities and a rosy future was in sight.

How rapidly those hopes were dashed. After moving sideways for two days, the bubble burst on Thursday when the Dow fell 46.77 points, with the market weak again yesterday.

The trigger for the fall was a combination of "quick, quick" statistics such as the industrial output figures for December, published on Tuesday, showing a 1 per cent rise - well above expectations. With that came the news that capacity utilisation, at 85.4 per cent, was at the highest level since October 1979.

Wednesday brought news from the Fed itself that the economy was still "vibrant", with labour markets tight; Thursday, that the trade deficit was worsening as the strong domestic economy sucked in imports; and yesterday, that housing starts were running ahead of expectations.

Fears increased that the real GDP figure for the final quarter of 1994, due next Friday, will show the economy growing at a cracking pace, perhaps at an annual rate of 5 per cent. All this leaves the suspicion that the Fed still has some tough moves to make. As William Dodge, strategist at Dean Witter, said: "Once the central bank starts tightening, it will not stop until the economy slows."

With these economic worries weighing on its mind, the market was less willing to reward strong corporate earnings figures with share price rises. Even companies such as McDonnell Douglas, the aerospace group, and Chrysler, the motor manufacturer, both of

which have made remarkable recoveries in the 1990s, gained scant recognition for announcing record results.

After all, good profits are only another indication of a racing economy, while likely rises in interest rates and efforts to hold down prices will serve to dampen corporate profits in future.

Within the corporate news, there have been further signs of economic strength and rising inflation.

Many groups have reported record sales, with those in cyclical industries with high operational gearing - such as pulp and glass - able to announce dramatic profit gains.

Meanwhile, others, ranging from tissues group Kimberly-Clark to tyre-maker Goodyear, said they would be increasing prices this quarter. That is bad news for inflation but also for corporate profits, since the price rises are in response to cost increases and are unlikely to compensate fully for them.

Conflicting signals came from car giants General Motors and Ford, however. While the former has had to shut plants because of a strike by staff complaining of overwork - a symptom of the tight labour market - the latter was cutting production in response to weakening demand for its vehicles. But that indication of a slowing economy might just be a straw in the wind.

Dow Jones Ind Average

|           |          |        |
|-----------|----------|--------|
| Monday    | 3,934.34 | +23.88 |
| Tuesday   | 3,930.66 | -1.68  |
| Wednesday | 3,828.98 | -1.68  |
| Thursday  | 3,822.21 | -46.77 |
| Friday    |          |        |

London

### Shares fall. Who is to blame?

Philip Coggan chides the reckless British public

The London stock market had a rocky ride this week and if you are a UK-based reader, the fault lies at your door.

You were out enjoying yourself at Christmas, weren't you? The volume of retail sales rose a seasonally adjusted 0.5 per cent in December, stronger than analysts had been expecting. Given that the retail prices index also increased by an unexpectedly high 2.9 per cent annual rate last month, this indicates that consumers may have been less price-conscious than before.

Almost as bad as the news on retail sales and inflation, in the market's eyes, was the 54,000 drop in December's unemployment total. The UK's unemployed have been out getting jobs, which the markets see as another indicator of inflation.

At least the underlying annual rise in average earnings stuck at 3.75 per cent in November, calming market fears about wage inflation.

Nevertheless, with unemployment falling so fast, most analysts expect earnings growth to gain speed in 1995.

All these signs of a stronger recovery - higher retail sales, falling unemployment - may be the subject of delight for the bulk of the population. But they cause concern to financial markets because they appear to herald further increases in interest rates.

Government ministers this week appeared to play down the chance of an imminent rate rise and there were also reassuring noises from Eddie George, governor of the Bank of England, in a speech to the Chartered Institute of Bankers on Monday.

Nevertheless, even if the governor and Kenneth Clarke, the chancellor, do not agree to raise rates after their next meeting on February 2, most analysts expect an increase some time this quarter.

That will be further bad news for homeowners. The Halifax this week responded to

last month's base rate rise by increasing its mortgage rate a quarter of a point to 8.35 per cent. Some, but not all, lenders vowed to follow suit.

Given that mortgage rates are included in the RPI (although not in the underlying index which is the government's inflation target), there is the possibility of an inflationary spiral in which higher mortgage rates prompt workers to demand higher wages.

On top of the prospect of higher UK interest rates, London traders also had to face the likelihood of the US Federal Reserve raising rates when its open market committee meets at the end of January.

Higher US industrial production and capacity utilisation figures this week convinced Wall Street that rates were headed higher, and prompted a sharp fall in the Dow Jones Industrial Average. As so often happens, London danced to New York's tune.

After a rally on Monday, the FT-SE 100 index fell to 2,985.0



Shopping their way to higher inflation - bad news for the market

by Friday's close, below 3,000 for the first time this year. A large portfolio trade by Goldman Sachs, the US investment bank, was said to have weighed heavily on the market.

One sign of relief for the bulls, however, was the persistence of takeover rumours. The best performing Footsie stock of the week was the securities house S G Warburg. The deal with Morgan Stanley may have collapsed but traders pushed up the shares in the hope other suitors would appear.

One of the worst performers was Kingfisher, the parent company of the Woolworth chain in the UK. In addition to poor trading at Woolworths itself, Comet, the electrical chain, suffered a sharp fall in like for like sales.

The company also announced that a review of the two divisions could lead to a restructuring in the next annual results (due in March) by Thursday's close, Kingfisher shareholders had seen their holdings underperform the All-Share Index by 42 per cent since the start of 1994.

As the graph shows, this week's decline still leaves the Footsie within the 2,900-3,200 trading range, where it has been stuck since last April. There has been a tug of war between the effect of higher interest rates in the US and the prospect of higher corporate earnings.

Those who earn their living from following the patterns in the market - technical analysts, or chartists - say this is a classic case of a "triangle", a sequence of lower highs and higher lows, which tends towards a single point. "This is

a pattern which indicates indecision on the part of the market," says Brian Marber of Marber & Co.

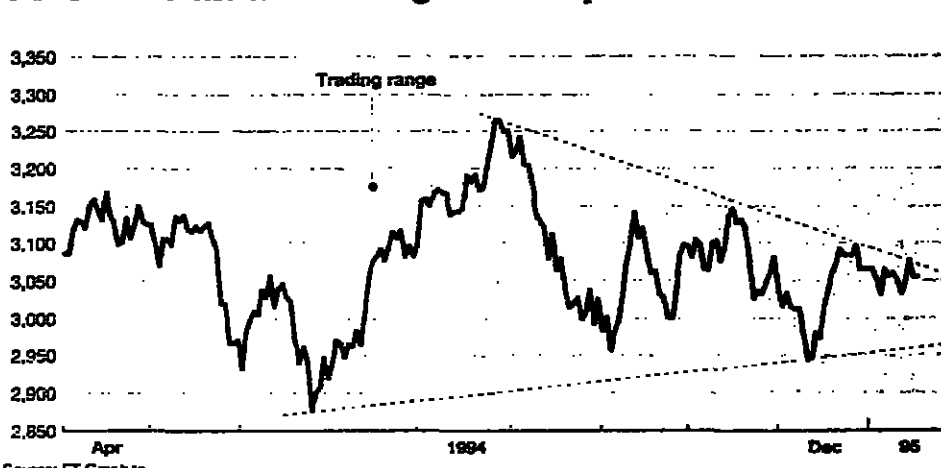
Marber is encouraged by the recent pattern of bear markets. Apart from 1987, there have been just two substantial market falls since 1980; one was 19.2 per cent, the other 21 per cent. The fall between the February 1994 high and the June low was 18.5 per cent, indicating that we may have seen the worst for this cycle.

Furthermore, Marber says that Footsie's one year average started to fall in November; since 1980, this has generally occurred when the market is close to its low.

Another chartist who is relatively cheerful is Ian Rankine of Derivative Securities. He thinks the index offers good fundamental value below 3,000 and the charts indicate it should receive support at around 2,970. In addition, he says that Footsie's 50 day moving average has been below the 200 day average for eight months. "That doesn't normally happen for such a long period," Rankine says, and he believes it could indicate the market is due for an upturn.

More bullish is Robin Griffiths, chief technical analyst of James Capel, who uses a "neural network", essentially a computer programme designed to think like a human brain. The network indicates that the market will drop to 2,900, and then fluctuate between 2,900 and 3,000 until mid-February. In late February, the index will drop very rapidly to 2,750, and then, after a brief rally, fall further to 2,700. But the good news is that 2,700 looks like the low for this bear phase.

FT-SE 100 index: heading for the apex?



Source: FT Graphix

Highlights of the week

|                     | Price  | Change  | 1994/95 | 1994/95 |
|---------------------|--------|---------|---------|---------|
|                     | Ytd    | on week | High    | Low     |
| FT-SE 100 Index     | 2985.0 | -53.3   | 3520.3  | 2876.6  |
| FT-SE Mid 250 Index | 3424.6 | -40.7   | 4152.8  | 3363.4  |
| Blenheim            | 193    | -5      | 402     | 178     |
| Brush Airways       | 359    | -26     | 496½    | 344     |
| BT                  | 384½   | -13½    | 486     | 353½    |
| Chiroscience        | 111    | -17     | 151     | 88      |
| Grand Metropolitan  | 366    | -18     | 506     | 365     |
| Kingfisher          | 399    | -29     | 778     | 396     |
| Kleinwort Benson    | 574    | +33     | 693     | 424     |
| Mercury Asset Mgmt  | 748    | +89     | 782     | 538     |
| Saatchi & Saatchi   | 116    | +14     | 178     | 94      |
| T & N               | 144    | -10     | 281     | 144     |
| Tadpole Technology  | 234    | -100    | 447     | 208     |
| Warburg (SG)        | 731    | +58     | 1012    | 569     |
| Wellcome            | 688    | -24     | 731     | 498     |

Base rate concern  
Buyers withdraw  
Profits warning  
USAR concern  
Profit-taking  
Ahead of research meeting  
Profits downgrade  
Disappointing statement  
Takeover speculation  
Warburg stake sale rumours  
Recovery  
Dividend worries  
Profits warning  
Bid speculation/MAM stake sale talk  
Programme trade/bid speculation



Barry Riley

### Big Brother is eyeing your house

The UK government wants the profits from the property boom

As browse through the latest batch of UK housing market statistics goes a long way to explaining the famous lack of a "feelgood" factor among the British population. The labour market might be strengthening rapidly - with a drop of 350,000 in unemployment during 1994 - but the housing market continues to be lifeless.

Now, we have a rise in mortgage rates as well and, with inflation ticking upwards, another increase in interest rates might not be far away.

The positive aspect last year was that mortgage lending began to recover - by 8 per cent, according to the Barclays mortgage index. But a net increase of £17bn in mortgage loans was not enough to generate any significant movement in average house prices, which fell by 0.2 per cent according to the Halifax building society (but rose 0.6 per cent on the basis of the rival Nationwide index).

The national peak for house prices came in the third quarter of 1993. Halifax says prices have eased by 11 per cent since then, but Nationwide calculates the fall at a more substantial 17 per cent. In London, of course, the drop has been much more - about 30 per cent, from a slightly earlier peak.

Such numbers are dreary

enough but, for several reasons, they give a wholly inadequate impression of the loss of wealth perceived by homeowners.

First, although the value of owner-occupied housing stock has fallen since mid-1989, despite a rise in the number of owner-occupied dwellings from 14.4m to 15.7m, there is 50 per cent more debt secured on the property.

National housing equity (value minus debt) has, therefore, dropped from £760bn to £600bn, according to Halifax. If you prefer to believe Nationwide's figure of £64,701 for the value of the average house (rather than Halifax's £61,776 - evidently Halifax has a better class of customer) total housing equity is only £490bn.

Taking the analysis a stage further, average net equity per dwelling on the Halifax numbers has dropped by nearly 30 per cent over these five and a bit years. The most dramatic way I can present the statistics is to use the more pessimistic Nationwide index and make a further adjustment for retail price inflation (about 26 per cent in aggregate). On this basis, the purchasing power of the owner's equity in the average British dwelling turns out to have halved since 1989.

The economic impact of the housing market's woes can be seen directly in the figures for so-called equity release - the

excess of net new mortgage lending over the amount actually spent on building and improving homes. In the late 1980s, this averaged about £12bn a year, equivalent to a 4 per cent addition to personal incomes.

Now, in contrast, equity is being injected rather than released; owner-occupied

Demographic changes are now beginning to take their toll

housing is absorbing 1 per cent of incomes.

Is this bad news or good? Well, for youngsters thinking of buying for the first time, the available value is better than for years. But they are still borrowing 90 per cent of the value on average, dangerous in a period of low inflation and uncertain house price trends.

Older people are no longer benefiting from the kind of bonanza which developed in the late 1980s. But so long as they have paid off their mortgage, they will be unaffected by the losses from financial gearing which are common elsewhere in the market.

Worst-placed of all are those who bought in the boom of the late 1980s. These are the unfortunate 1.3m households bearing the burden of the estimated £60bn of negative equity. According to Rob Thomas, UBS's house market analyst, the number affected by negative equity rose by 200,000 in the poor market conditions of 1994's fourth quarter. Statistically, it is a small problem, but it is focused upon a vulnerable group.

Most of the under-25s who bought for the first time at the peak of the boom in 1988 and 1989 in south-east England are still financially under water. After six years, there is still no real encouragement for them. The great house price boom depended on the willingness of young people to take on a huge burden of debt. Net new mortgage lending at the peak was running, in real terms, at nearly three times today's level. No wonder the building societies are proposing mergers.

Demographic changes are now beginning to take their toll. The wrinkles are seeing the balance of market advantage shifting against them.

The benefits of the property boom accrued primarily to older people because a relatively small number of pensioners were selling out (or trading down) in the context of an eager market of young

people. At the beginning of 1980, the number of people over 65 was roughly the same as the number of people in their 20s - and comparatively few of the pensioners were home-owners.

But, by the year 2001, there will be 25 per cent more over-65s than 20-25s, and a lot more of the old people will be owners.

When the market was booming, there were hopes that recycling through inheritance would keep house prices on the roll. Profits passed down one or two generations would provide capital to be put down as deposits.

But the government would like to get its hands on these property profits. By shifting long-term care of the elderly out of the free National Health Service and into the means-tested social security system, the accumulated capital of the very old can be raided. It does not take many years in a residential home at £350 a week to absorb the value of an average house.

The government is about to reduce the RPI weight of mortgage interest (going up) and put in house prices (static) for the first time. This is, naturally, the recommendation of a completely independent committee. But what convenient timing.

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